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ABSTRACT

This report, which is directed toward policymakers at the local, state, and national levels, is based on an extensive nationwide study of welfare-to-work initiatives. It identifies strategies to assist the private sector in employing welfare recipients. The document begins with an executive summary that discusses the following: the research study on which the document is based; opportunities and realities in the labor market; important programmatic and policy issues; and key lessons for working with the labor market. Chapter 1 profiles successful initiatives based on eight welfare-to-work strategies and initiatives: sector driven; employer directed; private staffing supported; community based; education and training focused, wage subsidized; public-private partnership supported; and government directed. The initiatives profiled are located in Arizona, Maryland, Wisconsin, Ohio, Florida, Oregon, Kansas, and Michigan. Chapter 2 summarizes the employer perspectives on welfare-to-work that emerged during focus groups held in Baltimore (Maryland), Detroit (Michigan), and the Orlando (Florida). Chapter 3, which is based on a multiple-state analysis of welfare recipient-employer interactions (a cross-state analysis and state-level analyses for Florida, Maryland, Missouri, and Oregon), explains exactly who hires welfare recipients. Appended are a glossary and a technical appendix describing the multiple-site analysis of welfare recipient-employer interactions presented in the report. (MN)

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Companion Case Studies,
Focus Groups & Data Analysis

Welfare to Wages

Strategies to Assist the Private Sector to Employ Welfare Recipients

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A companion volume to this report contains an examination of the issues affecting employment of welfare recipients, condensed versions of the case studies presented here and other related information. Both Volume I and Volume II can be downloaded from the Mott Foundation's Web site, http://www.mott.org. In addition, both books are available free of charge by: writing the Foundation at 1200 Mott Foundation Building, Flint, MI 48502; sending an E-mail message to **infocenter@mott.org,** calling the Publications Hotline at 1-800-645-1766 (U.S., Canada) or visiting the Foundation's Web site.

CHARLES STEWART
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Welfare to Wages:

Strategies to Assist the Private Sector to Employ Welfare Recipients

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Preface

The success of welfare reform is contingent upon welfare recipients finding and keeping jobs. Although this task seems less daunting when unemployment rates are at historic lows and employers appear to be clamoring for workers, the fact remains that moving people from welfare to work is an enormously complex undertaking.

As millions of welfare recipients move into the work force, they are likely to encounter hurdles such as poor public transportation; lack of jobs in some areas; scarcity of affordable, quality child care; and an abundance of low-wage, low-skill jobs. In addition, recipients may have to tackle a range of personal barriers — lack of skills and education, work ethic, domestic violence, drug abuse and depression.

In February 1996, in anticipation of federal welfare reform legislation, the Charles Stewart Mott Foundation significantly expanded its grantmaking to address welfare-related issues, and specifically, how to help families make the transition from welfare to work. Our goals were to fund policy analysis and development, research and monitoring, and technical assistance designed to help policymakers, practitioners and citizens make informed choices about redesigning social safety nets. Included in this grantmaking was a special emphasis on initiatives that engaged the private sector in welfare-to-work efforts, focusing on existing demand in the labor market and reformulating the policies and programs designed to help welfare recipients move into the labor market.

To explore how private-sector employers are reacting, responding and participating in welfare-to-work efforts, the Mott Foundation funded an extensive research effort, culminating in this report: *Welfare to Wages: Strategies to Assist the Private Sector to Employ Welfare Recipients*. Of the many factors influencing how welfare-to-work is implemented, we sought answers to the following questions: How will the labor market respond to an influx of new workers, especially large numbers of low-skilled workers? How would private-sector employers react to welfare-to-work initiatives? What did employers think about incentives as an inducement for hiring welfare recipients? Would employers hire welfare recipients without any preparation for the workplace?

This report: examines several types of efforts employers are engaged in, besides simply hiring welfare recipients; asks employers what they know and think about welfare-to-work efforts; and, finally, analyzes those companies that hire welfare recipients and the jobs they fill.

To increase the efficiency and effectiveness by which welfare recipients find and keep jobs, the employment and training practitioners, public agencies, advocates and recipients themselves will have to know and understand what employers are looking for. Likewise, efforts must be made to educate and work with private employers to help them understand the challenges and opportunities of welfare-to-work efforts. If work is part of the answer to welfare reform, it will require stronger partnerships with the private sector. To that end, the Mott Foundation is publishing this important research report.

We hope this publication provokes substantive discussion and action at the local, state and national levels about the very important business of welfare to work.

Jennifer L. Phillips
Associate Program Officer
Charles Stewart Mott Foundation

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This study required the participation and cooperation of a number of individuals and organizations across the country. These included public officials as well as private employers. In most instances, the project team encountered genuine interest and support for the overall objectives of this study, as well as a commitment to crafting more effective welfare-to-work strategies. The cooperation and efforts of these individuals is greatly appreciated.

Specific thanks go to a number of individuals who helped the project team execute its three primary tasks: 1) profiling welfare-to-work initiatives; 2) conducting employer focus groups; and 3) analyzing welfare recipient and employer interactions. With respect to the eight profiled initiatives, thanks go to the following: in Arizona, William Hernandez and Joel Millman of the Department of Economic Security; in Baltimore, Thomas Hardnett of Stop Shop Save and Yvonne Gilchrist of the Department of Social Services; in Cleveland, John Colm and Dennis Herttua of WIRE-Net; in Florida, Mike Switzer and Lanny Larsen of Enterprise Florida; in Kansas City, Gayle Hobbs and Brent Schondelmeyer of Local Investment Commission; in Milwaukee, Mitch Fromstein of Manpower, Inc. and Russell Proust of Milwaukee Area Technical College; in Michigan, Donna O'Grady and Steve Smucker of the Family Independence Agency; and in Oregon, Phil Laymon and Peter Valdez of Adult and Family Services.

For the focus groups, all logistical support and recruitment of participants was conducted by staff of local organizations. Specific thanks go to the following: in Baltimore, Richard Clinch of the Jacob France Center at the University of Baltimore, Ira Weinstein of Empower Baltimore Management Corp. and Ken Harvey of the Maryland Hospitality Education Foundation; in Detroit, Gary Woodbury and Doug Carr of the Michigan Small Business Association, Larry Meyer and Charlie Creamer of the Michigan Retailers Association and Ron Hall and Marcus Gray of the Michigan Minority Business Development Center; and in Florida, Mike Switzer of Enterprise Florida as well as Gary Earl and Cyndie Elman of the Central Florida Jobs and Education Partnership.

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This study was conducted by the public policy consulting firms of Brandon Roberts + Associates and Public Policy Associates (PPA). Brandon Roberts served as project manager and was ably assisted by Jeffrey D. Padden, president of PPA. Both David Gruber and Lisa Plimpton made important research and writing contributions to this effort. Eric Lawson and Joy Whitten of PPA capably performed the data match and analysis task of the project. In addition, PPA support staff Margaret Spitzley, Carol Goodearl, Donita Aseltine and Carla Antico provided invaluable assistance throughout. Finally, thanks also go to the support team of Brandon Roberts + Associates, my wife, Terry, and daughter, Kelsey, who persevered through my many days of travel for this project and provided important support whenever called upon.

It is hoped that the findings and lessons from this project will add value to the efforts of those committed to improving the economic and social fortunes of millions of Americans. We wish them well in their efforts to achieve this important national objective. To the extent that this study contains errors, omissions or other shortcomings toward this objective, the project manager assumes full responsibility. In addition, the opinions, findings, lessons learned and other statements made within this report are attributable to the project team and not the Charles Stewart Mott Foundation.

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Executive Summary

A final challenge for successful welfare-to-work programs is to understand and work with the labor market. The labor market is the dimension through which work-welfare programs expect to achieve success. Yet, the weakest part of current program administration by welfare agencies may be their poor understanding of the labor market. Few, if any, resources are devoted to cultivating relationships with firms and industries, to developing jobs for particular individuals or staying informed about occupational or technological changes that may dictate the skills required in the workplace.[1]

Success in implementing the nation's welfare reform agenda will depend on unprecedented numbers of welfare recipients obtaining and keeping private-sector employment. Although some welfare recipients have and will achieve this outcome on their own, a significant majority will need assistance to effectively transition from a life of dependency to one of economic self-sufficiency. How to accomplish this, particularly within the context of private-sector employment, is the subject of this report.

The research underlying this report found an array of innovative labor market strategies designed to improve the success of welfare-to-work efforts. These strategies were found in initiatives seeking to work with industry sectors and individual firms, to customize training for specific individuals and jobs, to use labor market data to influence educational efforts and to encourage and subsidize increased private-sector participation. Vehicles for these efforts extend to an assortment of entities, including trade and industry associations, individual firms, community-based organizations, education and vocational training institutions, government agencies and newly formed partnerships of public and private-sector interests. Although state and local governments are a prime impetus for many of these strategies, the private sector and nonprofit community play important roles in generating and supporting new innovations. The existence of these strategies suggests that some welfare-to-work efforts are moving to better connect with the labor market.

The challenges of moving forward are formidable and threaten to tax the resources and capacities of local welfare-to-work systems. Despite the identification of an array of labor market strategies around the country, the initiatives examined are yet unproved. Most of the studied initiatives are still in the developmental stage and operate at a scale considerably smaller than the current requirements for job placement, even though they function in a labor market environment demanding entry-level workers. Few of the identified efforts are comprehensive in that while they illustrate a promising practice such as pre-employment preparation, they fail to include other areas of concern such as job retention and/or career advancement. These efforts and their experiences, however, offer important lessons to policymakers seeking to develop better connections with employers.

Another challenge lies in generating awareness and understanding among more private-sector employers of their need to participate in this national objective. Despite high-profile initiatives such as the Clinton administration's

[1] Nightingale, Demetra and Holcomb, Pamela. *Alternative Strategies for Increasing Employment* in The Future of Children: Los Altos, Calif., Center for the Future of Children, The David and Lucile Packard Foundation, Vol. 7, No 1, Spring 1997, p. 52.

Welfare-to-Work Partnership, this research found too many instances where private-sector employers were not informed either by governmental groups (federal, state or local) or their trade and business associations (e.g., local Chambers of Commerce) about the opportunities to participate in the welfare-to-work movement. In fact, research conducted under this project found unrealized opportunities for expanding business involvement among small and large businesses, as well as in different industry sectors.

Perhaps the ultimate challenge is crafting policy and programmatic responses that prepare all recipients — even the hard-to-serve and non-custodial parents — for effective entry into the labor market. Important to this effort is the need to recognize that most businesses will not directly participate in welfare-to-work efforts and will not view public assistance candidates any differently than any other entry-level applicants. This creates an opportunity to invest in welfare recipients so that they are the best prepared candidates for entry-level employment, and can effectively compete for such jobs based on the skills, attitudes and personal situations they bring to the workplace. Resources from current caseload reductions and the new federal Welfare-To-Work Grant Program offer the financial foundation to address this matter.

The time frame for implementing more effective welfare-to-work practices is both opportune and daunting. On the one hand, the nation's strong economy and low unemployment rates find businesses in almost every area struggling to find qualified workers to satisfy their labor market needs. More than ever before, employers are open to all avenues that provide access to an available labor pool, including public-sector employment and training programs. On the other hand, continued strong economic conditions are not a certainty. The time to act is now rather than later.

Perhaps the most daunting element of the process is the rush to place recipients into the workplace. Already, as found through this research, the emphasis on "work first," or immediate labor market attachment, has resulted in businesses rejecting the notion that they can serve as a training ground for ill-prepared workers, particularly those without basic skills and positive attitudes toward work. As efforts intensify for placements and the pool of recipients becomes largely the hard-to-serve, welfare agencies face the risk of failing to meet the labor needs of business. This can only harm efforts to build better connections with firms and industries.

Creating a more effective welfare-to-work system requires more than just deploying a new set of strategies and implementing tools. It requires developing relationships with an additional and new constituent — business — and doing so in ways that fundamentally restructure the public policy process to effectively understand the perceptions, capabilities and limitations of business involvement. This necessarily leads to a transformation of government culture and operations in ways that emphasize adherence to a mission, focus on outcomes, development of staff and organizational capacity and commitment of sufficient resources. In short, public welfare-to-work efforts must make the private sector an integral and effective partner in the development and implementation of their welfare reform agenda.

Making business more central to the process raises the need to balance the demands of the private sector with the interests of public agencies and their public assistance clients. Although such concerns are real, they should not obviate the potential advantages that can accrue to all partners — recipients, public agencies, businesses and

training providers — involved in helping welfare recipients obtain employment. Perhaps the most significant advantage is that it helps all partners to become familiar with the realities of the marketplace. For public agencies, this means gaining knowledge of the labor market needs of local industry. For businesses, this means understanding the work and personal characteristics of all low-income workers, not just welfare recipients. For workers, this means gaining insights into the demands and opportunities of a particular industry. And, for training providers, this means learning how to offer training programs that satisfy the needs of differing customers: business, recipients and public agencies.

To put all this together will require welfare agencies to make an unprecedented commitment to understand and work with the labor market. As presented in this report, the research identified 10 strategies to achieve this goal. It also identified a number of policy and programmatic issues important in obtaining sustainable private-sector employment that offers recipients the possibilities of economic self-sufficiency. Finally, the research has led to seven key lessons that should be of value to those committed to ensuring the success of their welfare-to-work efforts.

The Study

This research was conducted during an 18-month period from July 1996 through December 1997. It involved three primary tasks:

- First, researchers identified and profiled welfare-to-work strategies and initiatives designed to foster a better understanding of and connection to the labor market on behalf of welfare recipients.
- Second, researchers convened three focus groups with business owners — in Baltimore, Detroit and Orlando — to explore their experiences, understandings and expectations around the welfare-to-work movement.
- Third, researchers analyzed the size and types of firms hiring welfare recipients based on data matches provided by the states of Florida, Maryland, Missouri and Oregon.

The results of these tasks are presented in a two-volume publication. Volume I contains an overall analysis of the issues and strategies currently found in the welfare-to-work movement, as well as important findings and key lessons for implementing more effective policies and program actions. This volume, Volume II, provides profiles of eight welfare-to-work initiatives, findings for each of the three focus groups and an overall report on the data analyses, including technical appendices.

Opportunities and Realities in the Labor Market

This research began at a propitious time, as several months after its start, Congress enacted welfare reform legislation. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 codified a growing movement in welfare-to-work practices that gives priority to immediate labor market attachment over education and training. It also comes at a time when the economy is prospering and unemployment is the lowest in 25 years. Businesses need workers and welfare recipients represent a potential pool of valuable labor.

Moving welfare recipients from public assistance into work is not a new objective or practice. For the past 30 years, policymakers have taken actions that move from the "principle of providing support to enable mothers to stay at home, toward the theory that adults who received welfare benefits should make good-faith efforts to become economically self-sufficient."[2] Today's reform agenda moves beyond good-faith efforts to

2 Blank, Susan W. and Blum, Barbara B. *A Brief History of Work Expectation for Welfare Mothers* in The Future of Children. Los Altos, Calif.: Center for the Future of Children, Vol. 7, No. 1, Spring 1997. p. 31.

require that all but 20 percent of recipients find work and/or other means of economic support (e.g., child support, disability benefits, etc.) before their federal time-limited benefits expire.

Whether all recipients who want and need jobs will find them is a complex issue that encompasses such concerns as whether there are enough jobs for all recipients to whether enough recipients are qualified to fulfill all available job opportunities. The subject of enough jobs or enough "good-paying" jobs has been the most dominant theme of welfare and labor market discussions. Employers interviewed for this project, including a number of which were located in inner-city Baltimore and Detroit, noted that there are jobs available for those willing to work. Although the firms acknowledge that entry-level positions pay low (sometimes — but not always — minimum wage), they have difficulty finding workers who have the basic skills and motivation to perform routine work assignments. Importantly, businesses did not distinguish between welfare recipients and other entry-level applicants in expressing their concerns about the quality of the entry-level work force, reflecting their view that all current entry-level workers have barriers such as lack of skills, lack of preparedness for the workplace, lack of motivation and personal and family support issues. Businesses did note, however, that recipients referred from public programs are often unprepared for work.

Data analysis conducted under this project — the matching of welfare records with unemployment insurance wage record files in Florida, Maryland, Missouri and Oregon — revealed several significant findings concerning the employment of welfare recipients in the private sector. By specifically focusing on firms hiring recipients in the first two quarters of 1996, analyses found that:

- Only 2.1 percent of firms with fewer than 100 employees hired a welfare recipient, while 78 percent of firms with more than 500 employees hired recipients.
- Recipient earnings were, on average, only 92 percent of the income a worker would receive working full time over a three-month period at minimum wage. Only 38 percent of all employed recipients received total earnings exceeding this amount.
- Recipient hires were clustered in a small number of industry sectors, including the stereotypical sectors of service and retail.
- Nonwhite recipients were less likely to be employed in small firms and in the manufacturing and construction sectors.

Integral to welfare-to-work efforts is the distinction between finding employment and becoming economically self-sufficient. Preparing for and finding a job is a critical step into the labor market, but only a first step. Retaining employment and achieving upward mobility are essential additional steps that are important to both recipients and employers, as well as policymakers concerned about economic self-sufficiency. Interviews with businesses found that they recognize the importance of support services such as transportation and child care to job retention (lower turnover) and career advancement (increased productivity), and are interested in how the public sector can help address these matters.

Understanding and creating more effective connections to the labor market has to be a primary goal of welfare-to-work. The challenges of balancing the employment and economic self-sufficiency needs of recipients with the work force demands of business are significant and worthy of serious consideration by welfare policymakers. Given current economic conditions, businesses are eager and open to engaging in the welfare-to-work effort, provided publicly supported efforts are crafted and managed in ways that recognize labor

market realities. This research identified a set of strategies for potentially working more effectively with the private sector

Strategies to Assist the Private Sector to Employ Welfare Recipients

Ten strategies are identified for more effectively connecting welfare-to-work policies and activities with the labor market. These strategies move beyond customary private-sector advisory boards and rhetorical efforts to engage private businesses in the welfare-to-work movement. Instead, some rely on the private sector to govern, direct, organize and deliver welfare-to-work services. They also include efforts to assist and finance private firms in the employment of welfare recipients.

To understand both the advantages and challenges of fully deploying each of these strategies, a select number of initiatives were examined across the country. These initiatives were examined for potential elements of an effective strategy as well as for the challenges of implementation. As noted earlier, none of the studied initiatives represent fully proven efforts nor are they recommended as models for replication.

Common among these strategies is the fact that each is directed at engaging and/or assisting the private sector in employing welfare recipients. Importantly, the operative term of these strategies is employing recipients, not simply hiring them. This reflects the idea and necessity that welfare-to-work strategies must include elements of social supports, job retention and career advancement, if welfare reform is to lead to sustainable employment and economic self-sufficiency.

Overall, the 10 strategies engage and assist a wide variety of private and public entities. This suggests that local welfare-to-work efforts must consider and perhaps involve all such entities as they seek to move unprecedented numbers of recipients into private-sector employment. Similarly, many of these initiatives encompass multiple strategies and techniques. Importantly, no one strategy appears to have an inherent advantage over another. Local conditions and circumstances are likely the most important factor influencing the use of one strategy over another, although it can be argued that most places should give serious consideration to deploying multiple strategies. In addition, the ultimate success of any strategy will be how effectively it connects to the labor market, not who is responsible for the connections.

Assimilating these strategies and associated techniques into a comprehensive welfare-to-work program is necessary if states and communities are to move unprecedented numbers of welfare recipients into private-sector employment. Undoubtedly, this poses a significant challenge to most places, as previous welfare-to-work efforts have been generally confined to small demonstrations. As is discussed below, there are a number of policy and programmatic issues that must be considered and addressed.

Important Programmatic and Policy Issues

The effective implementation of welfare-to-work strategies and specific labor market-oriented initiatives is laden with a number of important policy and programmatic concerns. This research identified programmatic issues that focus on the design, development and operational experience of these efforts. The research also revealed important policy issues that reflect larger economic, social and political concerns affecting the overall approach to welfare-to-work.

Many of the profiled initiatives were aware of the array of programmatic issues that impacted on their ability to implement effective welfare-to-work initiatives. However, few, if any, addressed all of them in their current program efforts. For example, in several instances, initiative managers were aware of the need to address the programmatic issue of job retention and career advancement, but had yet to take action. Overall, this research concludes that the most salient programmatic issues that should be considered in any welfare-to-work initiative are:

- **Pre-Employment Preparation.** Employers were adamant in their desire to receive applicants with basic skills and a strong work ethic. Although many had developed rigorous screening strategies to eliminate low-potential applicants (e.g., hard-to-serve/employ), most preferred that publicly sponsored referral agencies undertake this responsibility.

- **Short-Term Preparation and Skills Training.** Although conventional wisdom maintains that employers just want motivated and work-ready applicants, findings from this research show a strong appeal for short-term skills training targeted to a specific industry or workplace. Even one week of training appears useful in introducing the basic concepts and terminology of the prospective workplace. Both employers and recipients appear to take comfort and find value in even a brief familiarization with an industry.

- **Addressing Personal Barriers.** Employers are acutely aware that issues such as child care and transportation can affect job performance. They strongly believe that significant efforts must be devoted to helping prospective workers solve these problems before entering the workplace.

- **Job Retention/Worker Adjustment.** Employers also understand that many new workers have difficulties adjusting to the routines and pressures of daily work. As such, they are open to social service and/or community groups providing job retention services.

- **Job Retention/Workplace Adjustment.** Not only are employers concerned about new workers, they also understand the need to adjust current workplace policies and practices to better accommodate the diverse characteristics of a new work force. In particular, a number of firms cited the need for supervisor training, something that only a few knew how to find.

- **Income Enhancement.** Although employers acknowledge that wages for many entry-level positions are insufficient to support a family, they are poorly informed of opportunities to enhance worker incomes. Most striking is the failure to assist low-wage employees in realizing the benefits of the Earned Income Tax Credit.

- **Career Advancement.** Recognizing that many entry-level positions do not offer sufficient wages to support a family, a number of employers advocate for continuing education after placement. Most, although not all, see career enhancement training as an important factor in job retention and workplace productivity. Employers also recognize the need for workers to obtain higher wages in order to support their families.

This research also found issues that represent limitations in both the design and operations of program initiatives. These include: 1) scale — whether strategies can expand to serve a large number of recipients; 2) geographic service area — whether strategies can be effective in high

unemployment areas; 3) hard-to-serve — whether strategies can be adjusted to address the growing number of recipients with major barriers to employment; 4) subsidies — whether they can actually influence hiring decisions to the benefit of recipients and policymakers; and 5) service integration — whether there is sufficient will to actually make service delivery more efficient and effective.

Each of these programmatic issues should be seriously considered in the design of any welfare-to-work initiative, as each may have a place in any and all of the strategies identified above. The practices described represent promising opportunities for states and communities, reflecting clear business interests in working with welfare recipients in the current economy. The practices also help define several elements that contribute to program success, with welfare recipients and with the entry-level work force as a whole. Simply put, program officials must develop a professional, hands-on engagement with employers. They can not expect to make significant and meaningful labor market connections by merely asking businesses to hire recipients or by trying to purchase their participation through an assortment of hiring incentives and subsidies. Employers, particularly in today's tight labor market, are open to a number of programmatic interventions provided they address the work force needs of both their firms and workers.

Although promising efforts are under way and more progress has been made in reducing caseloads than perhaps expected, the future will likely be more difficult. The need to place more of the hard-to-serve, coupled with the likelihood of an economic cooling, will require considerable rethinking of overall welfare-to-work policies. This research suggests that the public sector will need to broaden its thinking to include policies that: 1) integrate welfare-to-work into the larger work force development system; 2) seek fundamental changes in the culture of governance; 3) look beyond serving recipients to others connected to the family; and 4) take advantage of private-sector employer assistance efforts.

Key Lessons for Working with the Labor Market

Efforts to better understand the labor market and connect with private-sector employers exist across the country. Yet information and data on what is happening, what is being attempted and what works is limited. For policymakers, this research — case profiles, employer focus groups and state data matches — illustrates the need and potential for addressing the key challenges of welfare reform. Realizing this potential, however, is an extraordinarily challenging task, especially if the ultimate goal is sustainable employment and economic self-sufficiency for millions of recipients.

The experiences described here show that employers are receptive to welfare recipients as new workers and that business and the public sector can develop strategies that translate this receptivity into promising training and employment programs. Perhaps the most important lesson for policymakers to absorb is the need for the public sector to develop strategies that are responsive to the labor market needs of employers. For those who do, this creates the opportunity to expand the scope and likely success of the welfare initiatives now being developed. Through effective use of welfare and other work force development resources, state and local officials can use the tools described here — the strategies and key elements underlying the studied initiatives — to engage employers in their own labor markets.

In short, public welfare-to-work efforts must make the private sector an integral partner in the development and implementation of their welfare reform agenda. To put all this together will require

state and local welfare-to-work efforts to make an unprecedented commitment to understand and work with the labor market. Given the parameters of welfare reform legislation, states and localities have little choice but to make these strategies work.

Important lessons learned from this research that may help guide local efforts to understand and connect with the labor market are addressed below. In short, seven key lessons emanate from this research. They are:

- **Responding to the labor market needs** of employers must become a top priority.

- **No single labor market strategy will suffice**; policymakers will need to deploy an array of strategies and engage a variety of entities to achieve success.

- **"Work first" has limited value**, as businesses will not assume the burden of preparing the unprepared or unmotivated for work. Most employers expect government to invest in basic human resource development.

- **Short-term skills and occupational training** is valued by employees and employers, and is feasible.

- **Attention to post-placement issues** — retention and career advancement — is essential for achieving sustainable employment and economic self-sufficiency.

- **Too little attention is currently devoted** to addressing the needs of the hard-to-serve; more creative solutions are needed.

- **Significant effort and resources must be devoted** to changing the culture and operations of the existing welfare-to-work system.

It is unlikely that states and localities will achieve their welfare-to-work objectives without effectively addressing these points. For many places, this will require altering some fundamental assumptions and approaches underlying current welfare-to-work practices as efforts are made to reach out to the private sector in new ways. It also will require states and localities to carefully craft their strategies and program interventions to address specific work force needs of employers and employees if they are going to achieve meaningful and long-term employment outcomes for recipients. Finally, committing to work with the private sector and altering strategies to reflect this approach are necessary conditions for achieving welfare-to-work outcomes. Alone, however, they will not succeed unless combined with fundamental changes in the way the welfare system operates.

The lessons learned through this study suggest what can be done and how much more needs to be done to change such systems. Overall, a significant theme in this analysis is the degree to which the challenges faced in developing effective welfare-to-work programs are echoed in the issues faced by employers and workers in the entry-level labor market as a whole. Employers are seeking workers who meet basic skill and attitudinal standards, regardless of their pasts. The available work force frequently does not meet these standards, and in addition has support needs that employers cannot address. In this labor market, employers will likely respond to initiatives that screen for threshold standards, that incorporate short-term preparation and training and that offer

outside support and aid in retention and career advancement.

The ultimate success of welfare reform may depend on the extent to which welfare agencies and their other public partners commit to working with the private sector and do so with a clear understanding of the opportunities and realities of the labor market. Unfortunately, these challenges are significant, as past work force development policies and programs failed to make effective connections to the labor market. In many respects, these efforts on behalf of welfare reform can be seen as a major first step in addressing the ever-pressing needs of the entry-level and low-wage work force in general. By prototyping a new approach for working with the private sector, state and local officials are paving the way to a new set of work force development strategies. Making them work for the benefit of employers and all employees, not just welfare recipients, will strengthen the economic security of firms, communities and workers everywhere.

Chapter 1:

Eight Profiled Strategies and Initiatives

Introduction:

After a series of literature reviews and phone interviews with welfare and job training experts, the research team identified a number of interesting welfare-to-work program/project efforts across the country. Through a preliminary review, it was determined that these program efforts represented an array of strategic interventions designed to improve the chances of a recipient succeeding in the labor market. As presented in Volume 1, the researchers constructed a typology of interventions encompassing 10 strategies.

The 10 strategies were considered different and important because they went beyond simply trying to get the private sector to hire more recipients; they sought to engage or assist the private sector in becoming involved in an array of welfare-to-work activities. To more fully understand these strategies, the project team aligned the identified program initiatives with each strategy and conducted in-depth profiles in those areas that had received little attention. Ultimately, the project team conducted eight profiles, each of them associated with a specific strategy. Importantly, these initiatives were not represented as model programs with demonstrated success. Instead, they were seen as program efforts that could be effectively studied and analyzed for their contribution to a variety of welfare-to-work objectives in the context of the identified strategies.

Senior project team members produced the profiles of the eight initiatives during the summer and fall of 1997. Each profile involved an on-site visit and interviews with a number of key stake holders, including senior policy and program managers responsible for the initiative. In addition, information was solicited from local and state welfare and work force development officials, members of the private sector and local providers of welfare-to-work services. For each profile, the project team sought to understand the initiative's goals and objectives; basic operating procedures; the scale of results and benefits to date; program issues affecting performance, particularly the achievement of sustainable employment and economic self-sufficiency; linkage to the work force development system; and advantages and challenges for the future.

Common among these initiatives is the idea that each is directed at engaging and/or assisting the private sector in employing welfare recipients. Importantly for this research, the operative term for these efforts is employing recipients, not simply hiring them. This reflects the idea and necessity that welfare-to-work policies and strategies must include elements of social supports, job retention and career advancement if welfare reform is to lead to sustainable employment and economic self-sufficiency. Each initiative was specifically examined from this perspective.

The complete profile of the eight initiatives follows.

Sector-Driven Welfare-To-Work Initiatives

The private sector's interest in welfare-to-work extends beyond the engagement of individual firms to encompass the attention of industry sectors, or clusters. Increasingly, employer groups representing business in areas such as banking, electronic assembly, hospitality, restaurant and retail are partnering with public agencies to support pre-employment training programs directed toward an industry sector. An important motivation for many of these efforts is a demand for entry-level workers.

Sector-based employment programs are not new.[1] A distinguishing feature of sector-driven welfare-to-work initiatives is that business groups play a very proactive role in shaping and directing the training programs, and do so in concert with public-sector agencies. At least one national industry association, the American Restaurant Association, has encouraged and offered support to its state chapters to become active in welfare-to-work.

There is no one model that characterizes these efforts. Program issues such as the skills levels of prospective trainees and the length of training are treated differently from one initiative to another. For example, a program in Hartford, Conn. that involves the insurance and banking industries requires applicants complete a six-month clerical training program before applying for the program. The initiative then encompasses four weeks of training, combining one week of classroom training with three weeks of activities divided among internship, self-study and job searches. In contrast, an initiative supported by the state of Arizona, and profiled in detail below, has few entry criteria and provides training that lasts a maximum of two weeks. Such distinctions can be only partly explained by differences among industry sectors.

Perhaps the most common factor among sector-based employment strategies is that they typically emanate from the local level. As the following profile demonstrates, however, state governments and state-level industry associations can take an active role in spearheading such efforts and can do so in ways that target welfare recipients.

Profile: Arizona Business Initiative Partnership (BIP)

The Arizona Department of Economic Security (DES) has responsibility for a number of human resource and job training programs, most notably Temporary Assistance for Needy Families (TANF), Job Training Partnership Act (JTPA), Food Stamp Employment and Training (FSE&T), Job Service/Unemployment Insurance and Vocational Rehabilitation. During the past two years, the department has embarked on a strategy to ensure that its programs and services were responsive to the job needs of local businesses. To ensure that such an effort moved beyond public relations, DES's Division of Employment and Rehabilitation Services (DERS) has created a process by which industry-based associations or steering boards made up of local industry/business representatives help develop and direct pre-employment training programs customized to industry specifications. Such training is designed to prepare DES clients, such as welfare recipients, dislocated workers, vocational rehabilitation clients and Job Service

[1] Clark, Peggy and Dawson, Steven L., *Jobs and the Urban Poor: Privately Initiated Sectoral Strategies*, The Aspen Institute, November 1995; and Mt. Auburn Associates, *Jobs and the Urban Poor: Publicly Initiated Sectoral Strategies*, Mt. Auburn Associates, November 1995.

customers for work in an industry area with high demands for new workers.

Known as the Business Initiatives Partnership (BIP), the effort is designed to achieve two purposes: help DES get better information on the skill needs in various industries, and develop better ties with employers. Through the partnership, DES focuses on getting specific information on the skills needed in targeted industries and in identifying other issues affecting the work force. The partnership arrangement allows DES to craft responses customized to the needs of the industry. Although BIP has focused almost exclusively on developing training programs, it is prepared to respond in a variety of ways to industry work force issues such as its current effort to address the worker transportation problems affecting the health care industry.[2]

In essence, BIP is seen by DES management as a process to make its services more responsive to the needs of its business customers. Importantly, BIP is not viewed internally as a program, but rather as a means for changing the culture of governance and operations within DES. Although the following discussion outlines the BIP effort from the perspective of welfare-to-work, it is important to keep in mind that BIP operates on behalf of a broad range of clients who receive services through DES.

Program Design and Operations

BIP came into existence in the summer of 1995. Since that time, the initiative has focused on six industry sectors: restaurant, retail, electronic assembly, health care services, teleservice/call centers and early childhood development. The last two areas — call centers and early childhood development — are currently still in the developmental stage. As noted above, health care services has evolved from a training program to a focus on resolving transportation issues.

In its simplest form, BIP involves the following elements:

- **Identify Industry Sector.** Whether in response to local businesses or its own analyses, DES works to identify industry sectors where the demand for entry-level workers exceeds current supply. DES concentrates on entry-level positions for two reasons. First, this is the level at which businesses in much of Arizona have the most need for assistance. Second, it is the area that is most appropriate for a large number of DES clients, many of whom have minimal job experience. DES has learned through the BIP endeavor that it also must consider the industry interest of its clients. Despite an opportunity to create an initiative around the burglar alarm industry in Phoenix, DES did not pursue this area when its own internal analysis found that clients were not interested in jobs in that industry sector.

- **Establish Working Industry Group.** Whether working through an existing industry association (e.g., Arizona Restaurant Association) or a newly assembled group of area employers, BIP offers an avenue for bringing industry work force needs and perspectives into a forum for discussion. Employer input is solicited and utilized in the determination of training programs, design of training curricula, monitoring of service delivery and assessment of program impact. Industry input is taken seriously. In fact, the review found several instances in which the content and length of the training curriculum was strongly influenced by the industry group, somewhat to the dismay of the training providers.

[2] A health care training program was stopped after one session when it was determined that the most critical issue facing the industry was transportation access to the health care facilities.

▸ **Provide Industry Customized Pre-Employment Training.** BIP-designed training programs are offered by a variety of groups, and the level of training varies among industry areas. Two different local community colleges deliver the restaurant and retail sector training, respectively, with restaurant consisting of 40 hours of instruction and retail 32 hours. (Retail is considering broadening its program to include the hospitality industry and expanding its training to 80 hours.) The electronic assembly sector training is delivered by four different temporary or staffing agencies, all of which offered such training before BIP. Each agency has its own approach to training, and the programs vary in length from 24 to 40 hours. Aside from the restaurant trainees receiving a food handler's certificate, participants do not receive any other form of certification, although each program awards a certificate of achievement to those who successfully complete it.

The focus of each training program appears to be similar across the industry areas. Each spends approximately one-third of the time on personal pre-employment issues (e.g., self-esteem, time management, teamwork, etc.) before exposing students to industry content. The remaining time is oriented toward familiarizing students with the general content and language of the business area, rather than teaching a specific skill. It is expected, however, that the new call center training program will include a simulated training experience. The call center program likely will require 80 hours for completion.

TANF resources pay for the training of welfare recipients. To date, the cost has ranged from $250 to $500 per participant for a week of training. It is expected that the call center training that will last for up to two weeks will range from $600 to $1,800 per participant. [1]

▸ **Refer Clients to Training.** Clients entering a BIP training program are referred by a local DES office after completing two weeks of job readiness training, which is required for all welfare recipients by DES. It is during this time that welfare recipients are made aware of the BIP program and notified that this is an option. Clients continue to receive benefits during the BIP training period and do not receive any type of wage. BIP training is considered part of the six weeks available to clients for job search and job readiness assistance. (Clients not going into BIP continue a job preparation program by spending weeks three and four in job search, including structured job club activities.)

There are no specific entry-level criteria for the BIP program, although local DES offices are looking for highly motivated people with a chance to succeed. As such, DES offices tend to look for people with past work experience and a high school diploma/GED. Several of the electronic assembly training providers indicated that they needed students with a minimum seventh-grade reading level in order for them to effectively participate in the training. They conduct assessments beforehand to ensure that prospective students have the foundation for the training.

▸ **Assist Clients in Job Placement.** In general, BIP is designed so that, upon the successful completion of training, recipients return to their local DES office to conduct their job search activities. In practice, this happens about 50 percent of the time. Although the training providers for the restaurant and retail programs do not provide job search assistance, both create opportunities to connect students with potential

[1] One of the selected training providers will offer an open exit program that allows students to bypass certain training components if they demonstrate they already have the skill. The charge for students who achieve this is reduced, thus resulting in a training cost as low as $600.

employers. Through job fairs or other means, about half of the students have job opportunities upon completion of their program. Within electronic assembly, the temporary or staffing firms do assume responsibility for placement. In most instances, graduates become an employee of the temporary agency and are referred to a site for work. The goal is that after 60 or 90 days, the employer will hire the graduate into a permanent, full-time position.

▸ **Assess Program Efforts.** DES management is committed to providing effective services that are responsive to the needs of both its business customers and its DES client base. The program has instituted a performance management system that routinely tracks and reports on client performance — completion of training and job placement — and regularly solicits feedback on the quality of program operations from employers, client participants, training providers and DES staff. This is done through focus groups and surveys. The results of such efforts are shared with each industry group, who will often make recommendations for program improvement. Importantly, DES managers view the BIP program as an evolving initiative with many lessons to learn and, as such, are open to trying and modifying program activities. An example is their experience in the home health care initiative, where they learned that their efforts to provide training for certified nursing assistants duplicated what was already available. As such, they dropped the program and focused on helping DES local offices make appropriate use of this already existing resource.

Currently, the BIP effort operates primarily in metropolitan Phoenix, although the restaurant program has now expanded to Tucson. The program expects to expand gradually across the state into other areas. Given its flexibility, BIP can easily be adapted to rural areas, although employer steering boards may consist only of one or two employers. In fact, DES is currently working with other communities to examine the opportunities for some type of service option.

Program Results and Benefits

From September 1995 to July 1997, 177 welfare recipients have entered one of four BIP training programs. The most frequented program has been restaurant training, which has enrolled 93 persons, a little more than half of all those entering a program. In contrast, electronic assembly has enrolled 21, although the program did not get started until March 1997. (Home health care had one class of nine before the program was ended.)

Of the 177 people entering training, 167 have completed their training, for a completion rate of almost 95 percent. This rate is consistent among the three programs currently in operation. One hundred training graduates have obtained employment, for a placement rate of 73 percent for those who complete the program. The average wage at placement is a little over $6 an hour, with the restaurant industry at $5.70 an hour and the electronic assembly at $6.42 an hour. DES is currently working on obtaining retention data for all placements.

As noted earlier, BIP training is designed to serve the array of DES clients. For example, while electronic assembly has trained 21 welfare recipients, it has trained 127 other DES clients such as dislocated workers, vocational rehabilitation clients and Job Service referrals. Interestingly, the results among the two groups (welfare recipients and all other DES clients) are not very different. While the average wage of placement for welfare recipients going into electronic assembly is $6.42 an hour, it is $6.56 for the other group. The

most notable difference is the percentage who show up for the training program. Welfare recipients have a no-show rate (that is, referred to the training by DES but never attend) of 16 percent. The rate for the others group is double, at 33 percent. Numerous reasons may explain this difference; however, there is no evidence to support one reason over another.

At issue in the minds of some is whether one week of training adds any substantial value to a prospective employee. Staffing agencies that train students for electronic assembly work say it does. Their program is used for all of their recruits, not just DES clients. Training providers for the restaurant and retail sectors are less sure. Almost everyone interviewed among training providers and DES staff noted that while there may be some question as to whether BIP provides important gains in industry knowledge and skills, the effort does appear to contribute to an individual's confidence and self-esteem. Such positive feelings are considered very valuable in helping a new employee adjust to the rigors of an unfamiliar environment, the workplace.

Program Issues

As noted earlier, DES management has been very open to examining program operations and making midcourse corrections. This has resulted in the identification of a number of issues affecting program operations. Some of these issues have received attention, while others remain unaddressed at this time. Key issues include:

▸ **Quality of Referrals.** Although training providers, in general, believed that DES did an acceptable job preparing and screening candidates for entry into their programs, most believed there was room for improvement. This perception is consistent with DES's own internal review last year of its job readiness training program, (the first two weeks after entering welfare). The job readiness training available to what were then known as AFDC recipients was not standardized around the state or even in the Phoenix metropolitan area. Some areas (depending on the contract provider) offered a two-week readiness program while other areas offered a one-week component. The need to standardize this service resulted in the development of a standard two-week "employment prep" program that is applied statewide (as of July 1, 1997) to the TANF and FSE&T population. The standardized course content, however, still will be delivered by various providers within communities. It is expected that this training will lead to a stronger group of individuals better prepared to enter the world of work and training.

▸ **Timing of Referrals.** Despite the intense demand for workers, BIP sessions are typically scheduled once per quarter. This means that an individual might have to wait several months to begin training. With the pressure to leave welfare, even a person with a strong interest in an industry sector such as restaurants or retail might consider other options. From the point of view of the case managers who make referrals to the program, it is difficult to do so until only a few weeks before a session starts, as they need to ensure that clients are engaged in some documentable activity. This approach limits the number of clients in training and has implications for BIP's ability to reach scale.

▸ **Hard-to-Serve.** Although BIP does not have any formal entry criteria, it is clear that both the training providers and DES local staff are looking for candidates with a modest level of basic literacy skills and a motivation to work. Whether BIP should or can accommodate the harder-to-serve is an issue largely unaddressed at this point. Further-

more, it does not appear that the training providers have given much consideration to the possibility that the overall quality of referrals is likely to decline over time (despite improved job readiness training), as the overall pool of welfare recipients becomes increasingly made up of the harder-to-serve (presuming that the current trend of those with the best skills and attitudes leave the welfare rolls through employment or some others means).

▸ **Economic Self-Sufficiency/Career Advancement.** BIP has no requirements on wage at placement. Despite this, the average wage at placement is well above minimum wage at more than $6 an hour. This is largely a result of the strong economy found in Arizona's metropolitan areas (an unemployment rate of a little more than 3 percent). DES management is fully aware, however, that such a wage is not sufficient to adequately support a family. As such, DES has advocated for resources that could encourage employees to obtain further education for one year after placement. During the last legislative session, DES encouraged adoption of a transitional education program that would allow recipients to access state resources that could subsidize their efforts to obtain additional education. The proposal was not adopted, but it continues to be of interest.

Whether employers are taking similar steps to assist workers in becoming economically self-sufficient is not clear. Several of the employers interviewed responded "no" to the question of whether they had taken concerted action to assist low-wage workers in applying for the Earned Income Tax Credit, a federal provision that could have the effect of raising a worker's wage by as much as $1 an hour.

▸ **Job Retention.** As noted earlier, DES does not currently have good data on retention for the BIP effort. Management is aware of the need to collect such data, as well as the need to devise strategies to address retention issues. As might be expected, retention is an issue that concerns the temporary or staffing agencies. Standard practice calls for agencies to assign a staff person — typically known as a personnel or staffing specialist — to each worker assigned to a job, with the direct responsibility for monitoring the worker's progress. Although none of the agencies involved in the BIP program suggested that they had modified their practices for welfare recipients, all indicated that this was an important element of their efforts to ensure they produced a quality product for their clients, the employers. Several noted a recent trend among staffing agencies that involved opening an on-site office at employers with whom they placed a large number of workers. This allowed the agency to have a greater contact with its assigned work force.

Also important to job retention is the level of understanding employers and supervisors have about a work force that has little work experience and, perhaps, a variety of social problems. This review found no evidence that firms or DES had considered promoting new supervisor training programs that, in essence, would offer techniques for better managing an entry-level work force.

▸ **Length of Training.** An important issue among BIP partners — industry groups, training providers and DES staff — is the length of the training program. Almost everyone interviewed indicated that this has been one of the more problematic issues of BIP. On the one hand, businesses have insisted on short training periods as their demands for labor revolve primarily around entry-level jobs. Their primary need is for someone motivated to work, with a general understanding of the industry and the work environment. In addition,

given current labor market conditions, businesses need employees now, not six to nine months after a training program. On the other hand, several of the training providers, specifically the community colleges, did not believe that a one- to two-week training program could sufficiently prepare workers for permanent employment, particularly from the perspective of entering a career in which they could advance and eventually obtain an adequate wage to support a family. They also indicated that they could not guarantee the quality of any trainee after a two-week period, which was contrary to their policy of guaranteeing the quality of all students completing a certificate or degree program.

DES is somewhat caught in the middle of this issue, as it wants to be responsive to the needs of its business community and yet provide assistance to welfare recipients that will help them become economically self-sufficient. Furthermore, DES is hindered by the TANF legislation that restricts educational and vocational training to 30 percent of the welfare population engaged in work activities, and limits pre-employment preparation to a total of six weeks. This is an ongoing issue for consideration.

▸ **Understanding Industry Conditions.** As noted before, DES has stopped the home health care training program. Based on that experience, management has decided that it must undertake a more detailed analysis of an industry before embarking on a BIP training effort. Such analysis must also include a broader perspective than that of the industry sector. It also must consider the existing training resources, both public and private, as well as the interests of clients.

▸ **Training Front-Line Staff.** In some respects, DES's front-line staff are playing a different role in assisting clients than in the past. Not only must they know about child care, transportation and other social service issues, they also must be knowledgeable about the world of work. DES's overall knowledge of industry sectors must extend into the career and wage opportunities associated with certain kinds of work. The DES Research Administration makes available to all DES staff the most recent wage data, along with industry growth projections. It is important that DES front-line staff effectively understand and communicate this information so that they can competently assist recipients in making decisions about training and work.

▸ **Educating Welfare Clients on Career Choices.** The pool of available, qualified workers has been shrinking in Arizona metropolitan areas because of the booming economy. Welfare reform will expand the pool, but only temporarily. As the pool of available workers has contracted, business owners have found themselves in intense competition with other low-wage employers for entry-level workers. In some respects, this creates industry and job choices for workers that have not existed before. Helping recipients understand the array of choices, as well as the career and wage implications of a choice, is an important outcome of DES staff activities.

Clearly, the restaurant training program as designed by the industry seeks to address this issue for those who have already chosen their training program. First, it *informs* prospective workers about the industry. The program stresses opportunities for advancement and career development. Second, it *educates* these workers about the expectations that employers in the industry have for their workers. Information about the industry is intended to dispel the stereotype that all restaurant jobs are dead-end positions that will never pay more than minimum wage. Participants learn that virtually all owners worked

in entry-level positions at some point in their careers. While it is acknowledged that not all workers advance, it is made clear that many individuals can make a good living as owners, managers, chefs or even as highly skilled servers.

▸ **Expand Participation.** Much to the credit of DES management, BIP has evolved in a methodical way that emphasizes experimentation and learning. Eventually, however, BIP or its philosophy of business involvement will need to expand its scale of operations if DES is committed to substantially changing its culture of governance and program operations. Such expansion will need to achieve two points: allow more businesses — large and small — to communicate their ideas and needs to DES and result in a much larger number of job training opportunities for DES clients. The Division of Employment and Rehabilitation Services has recently given word to implement the BIP effort throughout its system.

Program's Role in Work Force Development System

As noted earlier, BIP is not seen among DES management as a program but, rather, as a way for ensuring that DES activities are more responsive to its customers (business) and its clients (people needing employment and training services). This critical distinction is important because this view may ultimately reveal opportunities to achieve significant scale with similar activities.

Organizing around industry sectors is a strategy designed to change the culture of how the state delivers its work force development services. The idea of working through industry sectors first originated in Arizona through the governor's economic development program. Since the early 1990s, Arizona has targeted its economic development efforts to support development of key industry sectors or clusters, designated by the state as important to future economic prosperity. BIP is a logical extension of this focus.

The BIP approach also helps strengthen the one-stop career centers effort in Arizona. Given that BIP is designed to serve a variety of DES clients, which typically are served by staff from a specific program and office (e.g., vocational rehabilitation, welfare, JTPA), the effort has required DES to bring staff together across agency and office lines. This has resulted in cross-functional teams working together to address issues such as identifying industry job needs, reviewing potential training curricula and monitoring and assessing performance.

Arizona has embraced "work first" as its central tenet of welfare reform. BIP is seen as one alternative available to prepare welfare recipients for employment, albeit a very limited one at the present time. Other options include job search, subsidized job placement through grant diversion (known as JobStart in Arizona) and community work experience. Welfare officials are currently considering other ways of working with temporary or staffing agencies to place recipients into private-sector employment, as well as privatizing some of the TANF case management.

Overall, BIP has the chance to significantly influence Arizona's work force development system. In order to do so, however, BIP must move beyond the pilot or demonstration stage and become more integral to the major systems that link to large numbers of prospective workers. Achieving significant scale is enormously challenging. The planning for such a transition must be part of the original conceptual work on the program. Otherwise, all that may result is an array of interesting and modestly successful projects that, even taken together, are not sufficient to yield enough change to merit the investment of public resources.

Future Potential for Sector Driven Welfare-to-Work Initiatives

The efforts of Arizona's Business Initiative Partnership and Hartford's Banking and Insurance Training program suggest that sector-driven welfare-to-work initiatives have a promising future in helping some, but not all, public assistance recipients obtain employment. These efforts demonstrate the possibilities and also reflect that there is no one model for engaging the private sector, nor is the private sector motivated to participate for a singular reason. While the need for entry-level workers appears to motivate business to participate in Arizona, Hartford's program appears driven by the desire of long-standing corporate interests to contribute to the economic and social renewal of a distressed community. It is important to note, however, that sector-based initiatives do not appear well-suited to addressing the needs of harder-to-serve welfare clients.

Sector-driven welfare-to-work initiatives can offer a number of advantages to all partners — recipients, public agencies, businesses and training providers — involved in helping welfare recipients obtain employment. Perhaps the most significant advantage is that *it helps all partners to become familiar with the realities of the marketplace.* For public agencies, this means gaining knowledge of the labor market needs of local industry. For businesses, this means understanding the work and personal characteristics of low-income workers. For workers, this means gaining insights into the demands and opportunities of a particular industry. And, for training providers, this means learning how to offer training programs that satisfy the needs of differing customers — business and public agencies.

In addition, other possible advantages of industry- or sector-driven welfare-to-work initiatives include:

- **Forum to focus attention on welfare-to-work policies and practices** that brings the perspectives of all partners into a process for addressing a major public policy objective. Although significant attention will be devoted to the issues concerning the operations of industry- or sector-based training programs, such a forum also provides the opportunity to explore ways of addressing other non-industry specific issues such as transportation, child care and other important support services.

- **Opportunity for small businesses to participate** in welfare-to-work in ways that do not require large investments in self-managed activities. Importantly, sector-based associations or consortia provide small firms with the chance to communicate their needs and perspectives in an environment where their ideas are considered equally with all others.

- **Tactic for achieving scale** in the number of jobs available for recipients to make the transition into employment. Working through industry associations or consortia allows public agencies to reach a number of work establishments, thus increasing the opportunities for jobs and reducing the dependence on any one site. Such efforts also create the possibility of an increasingly expanding network of potential employers, as businesses share information on their experiences with one another.

- **Means for adding value to workers** that is beyond the basic pre-employment training focus on life skills. Even though programs may offer only

minimal training around an industry, a quick orientation may provide sufficient occupational knowledge to help a worker through the interview process and, perhaps more importantly, provide a level of confidence about the work environment that facilitates the on-the-job adjustment process. It also may provide insights on how one job — even a low-skill, low-wage job — can be the first step to a career pathway. In addition, it appears that the occupational orientation is not seen by business as a hindrance to employment in other sectors, but is viewed as an asset that is reflective of a candidate's ability to learn and be trained.

▸ **Vehicle for working regionally** so that projects and activities span jurisdictional boundaries and are more in keeping with the geographic patterns of local economic and labor markets. Operating in this fashion helps send a clear message that government is more interested in meeting the needs of its clients and customers than adhering to program traditions or jurisdictional prerogatives.

▸ **Avenue for government reform** by soliciting the input of private business people and others into the development of public welfare-to-work policies and programs. Such input creates an expectation of performance, which then provides the opportunity to institute new approaches to management and measures of accountability, all of which are directed at achieving tangible outcomes and benefits for clients and customers alike.

Sector-driven welfare-to-work initiatives are not without challenges. Key among them is the need to balance the demands of business with the interests of public agencies and their public-assistance clients. The most likely point of divergence is business' immediate need for entry-level workers and the public agencies' desire to ensure that clients are prepared to make an effective and permanent transition from welfare to economic self-sufficiency. This issue in itself triggers a number of factors that should be considered in the design and operation of a sector-driven employment program, such as the length of training, job retention, career advancement and livable wages. Resolving these issues to the mutual satisfaction of all partners, and in accordance with TANF regulations affecting training activities, will be the true test of whether sector-driven efforts can make a positive and lasting contribution to welfare-to-work efforts.

Employer-Directed Welfare-To-Work Initiatives

The private sector's role in welfare reform has evolved beyond publicly driven efforts to encourage employers to hire public assistance recipients. Increasingly, private firms are developing their own activities to participate in welfare-to-work activities. The most publicized are Marriott International's community training and employment program (known as Pathways to Independence) and Lockheed Martin's efforts to participate in the privatization of various welfare administrative functions.

Of particular interest are employer-directed training and employment efforts. These initiatives differ from traditional employer commitments to consider hiring welfare recipients in that employers take responsibility for developing and managing their own training and employment programs.[1] Trainees, who are recruited from public welfare and work force programs, are prepared to take entry-level positions through a combination of classroom sessions and on-the-job training activities. Typically, those completing the training program are guaranteed employment by the firm. Businesses involved in such efforts also, in many instances, receive public dollars to subsidize their training efforts.

Motivations for these efforts are several-fold; most notably, the desire by firms to enhance the skills and attitudes of entry-level workers, to improve firm productivity by reducing worker turnover and to contribute to community revitalization. To date, significant attention has focused on the efforts of large, nationally oriented firms such as Marriott International, Burger King International, United Airlines and Borg-Warner Security Corp. The administration has helped to profile these initiatives by helping form the Welfare-to-Work Partnership, a Washington, D.C.-based nonprofit designed to encourage and assist firms to participate in welfare-to-work.

Although much of the attention is devoted to the activities of large firms, smaller firms are participating in the welfare-to-work movement. The following profile of a midsize, local firm operating in Baltimore, Md. shows how locally based, small- to medium-sized firms can undertake an employer-directed welfare-to-work initiative. In fact, this effort is just one of three employer-driven initiatives supported by the Baltimore Department of Social Services (DSS).

Profile: BMC Enterprises, Baltimore, Md.

BMC Enterprises, the largest black-owned business in Baltimore and the 14th largest in the country, owns and operates 15 Stop Shop Save grocery stores in the metropolitan area. The firm has an annual work force of approximately 600 and operates much like a modestly sized small business. Most of its stores are located in distressed neighborhoods and serve a large population of low-income people.

BMC developed and began operating a centralized classroom training program in September 1996. Its first sessions were financed by the Empower Baltimore Management Corp., which was interested in getting Empowerment Zone residents trained and placed in work. In October 1996, BMC also established a relationship with Baltimore's DSS and agreed to train welfare recipients and hire successful trainees for their

[1] In addition to training programs, employers are undertaking other activities to facilitate the employment of workers, particularly those entering low-wage positions. Of particular note are initiatives designed to address child care, transportation and counseling/personal needs issues.

stores. Since that time, 52 welfare recipients have completed the training. The program, as conceived by BMC, is designed to meet work force needs as the company grows. It also complements the company's philosophy of doing something positive for the people of the communities in which the firm operates.

Program Design and Operations

BMC's training program has evolved substantially during the past nine months. Originally, the firm was allotted $51,000 of Baltimore Empowerment Zone funds to conduct two training sessions that would prepare 40 participants for work. Permanent positions were to be guaranteed for those who completed training, and BMC was expected to place all trainees on their payroll after six weeks of training at a wage of approximately $6.50 an hour. Trainees would also receive a wage during training that started at $5.50 for the first two weeks and moved to $6 for the next four weeks. Training sessions for Empowerment Zone residents were held in September and December of 1996.

Today, BMC offers the same type of training and guarantee of employment as before, but the relationship with the public sector is different. BMC's contract with Baltimore's DSS is structured so the welfare clients participate in the program through a combination of work experience and subsidized work (via grant diversion) before they are placed on the Stop Shop Save payroll.[1] Specifically, the program is structured as follows:

▸ **Referrals.** Each month BMC holds orientation for referrals from DSS, the Mayor's Office of Employment Development (the local Private Industry Council, which administers JTPA), and the Baltimore Urban League. It also accepts walk-in applicants. All employment prospects fill out application forms. A high school diploma or GED is required for submitting an application. Between 10 and 18 applicants are accepted into each training class, provided they pass a physical exam and a drug test. Only referrals from Baltimore's DSS are eligible to participate in subsidized work experience/grant diversion.

▸ **Classroom Instruction.** During the first two weeks with Stop Shop Save, recipients receive classroom instruction in a BMC-owned and operated training facility. The classroom training program was designed by BMC's director of human resources, Thomas Hardnett, who was assistant director at a local trade school and has substantial teaching experience. It lasts for two weeks (80 hours) and covers basic workplace and life skills issues (such as absenteeism), customer service skills and company-specific cashier skills. Trainees also are given information about child care vouchers, transportation assistance and other benefits for which they are eligible. During this time, trainees participate under the DSS's work experience program. This means that participants continue to receive their full public assistance benefits as well as a $50-per-week needs-based stipend provided by BMC.

▸ **On-the-Job Training (OJT).** Trainees move from the classroom to the stores for a four-week period. Training in the stores is provided by both store supervisors and one of two BMC trainers who work with trainees on a site. Recipients continue their participation in BMC's training under the work experience program; however, after two weeks of on-the-job training, BMC begins to place the trainees on their payroll at a wage of $5.50 per hour. Actual payment for this work will not occur

[1] Both work experience and subsidized work are eligible work activities under TANF. For the first six weeks of training (classroom and on-the-job), recipients are considered to be in a work experience activity as they are preparing for specific employment. Each recipient receives a needs-based payment during this period.

until two weeks later, which corresponds to the termination of trainees' full benefits as they exit work experience to become subsidized employees of Stop Shop Save. This payment on behalf of BMC ensures that trainees will not have a break between their TANF cash assistance and BMC paycheck.

▸ **Employment.** Following successful completion of the six weeks of work experience preparation, participants are hired by Stop Shop Save at an entry wage of $6 an hour for approximately 35 hours per week. These hires are made under the DSS's subsidized work program, which uses grant diversion as a way to encourage BMC to hire welfare recipients. The grant diversion program has limited impact on participants; they treat their employment with BMC as they would with another firm (balancing earned income against the need for continued public assistance), except that they continue to receive all social service benefits (such as Medicaid, child care). Once grant diversion ends, which may last up to nine months, a participant is entitled to another full year of Medicaid benefits. Grant diversion does affect Stop Shop Save, as it receives a participant's cash grant (only TANF funds, not food stamps) as a subsidy to offset the cost of employment. The subsidy averages approximately $300 a month per client, about one-third of the total monthly wages paid by Stop Shop Save.

New hires can work up to 40 hours per week, depending on store needs. Employees are eligible for raises every six months, which typically come in 50-cent increments. The company's hourly wage scale for a cashier position goes up to $10.50 an hour. Employees are eligible for medical benefits after 90 days, but welfare hires can choose to maintain their Medicaid benefits for up to a year. This proves to be a savings for the employee (who must pay for a portion of the health care premium) and the employer (who pays the majority of an employee's health care premiums).

The cost of training Empowerment Zone participants was estimated at approximately $1,800 per trainee for a six-week period. Costs included overhead; the trainers' salaries, which average about $17 per hour; approximately $200 per trainee for uniforms, physical exams and drug tests; and the hourly wage. The Empowerment Zone grant covered about $1,250 of the costs.

Today, BMC receives no upfront DSS funds to defray the costs of the first six weeks of training; however, these expenses are recouped during the grant diversion period when roughly one-third of the cost of each welfare recipient's salary is subsidized by the DSS grant diversion. While BMC could use more assistance from the public sector, according to Hardnett, the subsidy enabled the company to start the training program. The space and equipment are also being used to train all BMC employees in customer service. BMC launched the "Smile, Service, Satisfaction" training course for all new and existing employees on June 1, 1997.

Program Results and Benefits

Of the 40 participants who entered the initial Empowerment Zone-financed program (two classes of 20 each), 35 completed the training, and all were employed by Stop Shop Save. One year after the first class of 20, seven are still employed at Stop Shop Save. Nine months after the second class, 13 out of 20 remain employed, with an average annual wage of $7 an hour.

Hardnett attributes the improved retention rates in the second class to learning from experience to work more effectively with this population. He cites two factors. First, he gives more attention during the interview process to the identification of potential barriers among applicants. For example, if applicants initially state that they need/want to

work during the day and then later agree that they will accept evening work, Hardnett considers their first response to be the most accurate reflection of their availability. Second, he notes that he and store supervisors have recognized the need to provide more personal attention and opportunity for communication with new staff. This goes a long way, he believes, in helping to resolve problems early, and helping employees understand that the business takes its investment in them seriously.

Since working with the Department of Social Services, Stop Shop Save has had 70 participants enter the training program. Fifty-two have completed the six-week training course, and were all placed in Stop Shop Save positions. Today, 44 of those placed remain employed with Stop Shop Save. Of the eight that are no longer employed, one left for another job and four left because of child care issues. Of the remaining three, two left because of attendance problems and one left to take care of a sick relative.

Reduced employee turnover is the desired return on the company's investment in the welfare training program. Hardnett considers the benchmark for success a trainee who stays on the job for one year. So far, most of the graduates are still employed at one of BMC's stores, and the program appears to be very successful, he reports. Before the centralized classroom training program was implemented, new hires were sent directly to stores to train on the job. Hardnett says that the new training program is helping people who would not have lasted long in the old system to stay on the job for extended periods. Some people are just not ready to start work without some orientation, particularly those who have been out of the work force for a long time, Hardnett believes. He reports that BMC is not experiencing problems with negative attitudes toward welfare recipients on the part of store managers. Many of the stores' employees have been on public assistance at some time, so welfare does not carry the same stigma that it may at other workplaces. Because BMC is paying welfare trainees according to the company's pay scale for all employees, workers likely do not fear losing their jobs to welfare-to-work employees.

BMC is interested in providing job readiness training for welfare recipients for other companies and is currently developing a curriculum and exploring the possibility of contracting with other firms. It has the equipment and space available and would like to expand its use of these resources.

Program Issues

BMC is one of three Baltimore-based businesses supported by the Department of Social Services to undertake an employer-directed welfare-to-work initiative. The other two are the Omni Hotel/ Goodwill Industries[3] initiative and the City Wide Bus program. These efforts represent Baltimore's first foray into an initiative of this type. In reviewing the Stop Shop Save effort, a number of issues emerged relevant to program operations. These include:

- **Applicant Selection.** As discussed earlier, BMC adjusted its applicant interview process to be more selective in the screening of potential trainees. In general, BMC has few complaints about the referral process from public agencies and the overall quality of the pool of applicants. However, BMC has learned how to more effectively assess the long-term potential of an applicant to stay employed. This is important, as the bottom line for the company is reducing worker turnover. BMC makes no apologies for being more stringent in the selection process. It is important to note that this

[3] Although Omni Hotels are known worldwide, Baltimore's facility is a franchise. The welfare-to-work initiative is a locally conceived project and is not part of a corporate effort. Omni employs approximately 400 people in its downtown hotel.

does not seem to hinder BMC's pool of trainees, as unemployment in Baltimore is well above the national average.

▸ **Hard-to-Serve.** Consistent with its experience in the applicant selection process, BMC acknowledges that its program is not designed to overcome barriers of the hard-to-serve. Instead, it is designed to serve those who need and want to work. BMC does not feel it has the expertise to address the multiplicity of social and personal problems that might hinder a person's employment, nor does it believe it should play this role. Baltimore's DSS recognizes that few employers are capable or willing to address the needs of this population and, therefore, supports other groups to devise interventions for the hard-to-serve.

▸ **Wages.** Consistent with Baltimore's commitment to help all workers obtain a family wage for their work, BMC starts its workers above minimum wage and provides opportunities for regular wage increases. BMC management recognizes that the high cost of turnover is far more expensive than the payment of additional wages, particularly when higher wages play an important role in job retention. Hardnett notes that the opportunities for raises at regular intervals contribute greatly to employee motivation, and the pay scale is explained to trainees at the start of the classroom training sessions.

▸ **Subsidies.** BMC has a mixed perspective on subsidies. On the one hand, the firm notes that the subsidies (via grant diversion) are a small portion of its annual payroll at less than 1 percent. That is not enough to encourage the firm to hire certain types of workers if it did not want to. On the other hand, the firm desires and is committed to hiring community residents in need of employment. The grant diversion subsidy allows the firm to pay for the training costs of such an effort, thus helping to prepare these residents for work. This is something the business could not afford to do on its own. As such, the subsidies do help the firm hire a type of worker that it ordinarily would not consider. Likewise, the training leads to a more employable work force and has helped reduce BMC turnover. It is important to note that the grant diversion is not the only subsidy available to BMC for hiring welfare recipients. The firm reports that when possible, it takes advantage of both the federal Work Opportunities Tax Credit and the state of Maryland's welfare-to-work tax credit. Together these credits can amount to a subsidy of more than $3,000 per worker annually.

▸ **Grant Diversion Process.** BMC reports that the administrative and paperwork requirements involved in the grant diversion process are not overly difficult or burdensome. The company works directly with DSS in this process, providing them with time sheets on the work activities of all recipients/employees. BMC submits monthly invoices to DSS, and grant diversion payments are generally made within 20 days of receipt of an invoice. This approach is far preferable to BMC than the administrative steps required under the Empowerment Zone program.

▸ **Work Experience/Customized Training.** By preparing recipients for work through customized classroom and on-the-job activities and defining it as work experience, Baltimore's DSS is creating the possibility of educating and training more than the 30 percent of recipients limited to such activities under TANF. Although BMC's work experience effort lasts for only six weeks, Omni Hotel reports that it has implemented an open exit policy and will generally work with recipients

for as long as it takes to get them prepared for work on site. Using this approach offers the opportunity to devote more time to classroom education and training than generally envisioned under TANF.

▸ **Training Curriculum.** BMC's training curriculum is self-designed and administered, in essence, as discussed above, customized to the company's needs. Although Baltimore's DSS supports employer-directed programs because they prepare workers for specific occupations that they believe have value in the marketplace, DSS does not review or approve the contents of the curriculum for any of the three employer-directed training programs. This approach is deliberate, as DSS's emphasis on performance has resulted in the agency not focusing on the activities of a contractor, but on their ability to produce results. Although the emphasis on performance is commendable, this approach does raise questions as to whether the overall contents of the training will enable trainees to transfer their learning and skills to other occupations or employers if they so desire or need to in the future.

▸ **Support Services: Health Care.** As is the norm nationwide, welfare recipients in Baltimore are eligible for Medicaid while receiving assistance and for one year after their assistance ends as a result of employment. This proves to be beneficial to both the worker and BMC. Although BMC offers health benefits to its workers after only 90 days of employment, premium payments are split between the business and the worker. As a result, none of the public assistance recipients have opted into the company's plan, choosing to stay with Medicaid. This serves as an unintended subsidy to the firm and the worker.

▸ **Support Services: Child Care.** To date, the most serious issue affecting job retention is day care. As noted earlier, of the eight DSS recipients who have left BMC, four have done so as a result of child care issues. Each of those trainees came into the program in April 1997 and left the following June. The catalyst was the summer school break. Thus, in this instance, the barrier of child care was not what is traditionally thought of in terms of infant care, but supervision of school-age children.

▸ **Focused Retention Strategies.** As noted earlier, Stop Shop Save has given some attention to job retention by trying to improve communications between management and new workers. No attention has been given to a formal approach to job retention, although there is acknowledgment that such an effort could be of value. Baltimore's DSS has yet to develop any formal approach to job retention, although it is expecting that new providers of welfare-to-work services will include this in their efforts as their performance and pay will be subject to retaining recipients in jobs for at least six months.

▸ **Career Advancement.** Despite perceptions that opportunities for advancement are somewhat limited at grocery stores, Stop Shop Save makes a concerted effort to inform and assist employees to advance within the company. Opportunities exist for cashiers to advance into bookkeepers, meat cutters and other positions that offer higher wages. Although the company encourages advancement and continuing education, it does not finance outside education for employees.

▸ **Sharing Information.** Stop Shop Save has created an impressive program; however, it has done so without the benefit of outside information on similar experiences across the country. For example, although there was some awareness of

Marriott's initiative, there was no familiarity with the specifics of their model, their experiences to date or the training efforts of other businesses across the country. Although Baltimore's DSS consistently offers technical assistance to its employer-directed programs, the content is more directed to issues surrounding grant diversion and other technical matters. In addition, one of the apparent downsides of working individually with firms is the lost opportunity to share information about similar experiences, unless concerted efforts are taken to bring participants together around their particular issue of interest. Omni Hotel staff indicated they were not aware of the Stop Shop Save program despite the fact that DSS had recently brought approximately 20 current grantees and contractors together to share information on their programs.

▸ **Displacement.** A current concern among top management at BMC is the issue of worker displacement. Maryland's governor recently issued an executive order preventing welfare recipients from displacing existing low-wage workers at firms like BMC that participate in the state's welfare-to-work experience program. Included in the order is the establishment of a new grievance process for workers who feel they have lost a job because of welfare displacement. Neither BMC nor Baltimore's DSS see the need for this action. Both are unaware of any abuses and note that current labor laws already have a grievance mechanism for workers who feel they are unfairly terminated. If anything, they believe, this action has the potential to scare private firms away from the welfare-to-work movement. It is important to note, however, that the executive order has not caused BMC or the other two firms to stop their training programs.

▸ **Expanded Participation.** Stop Shop Save is limited in the number of recipients it can train for its work force. Although it has managed to conduct a class a month, that rate should subside as employee turnover declines. As noted earlier, the company has indicated an interest in conducting similar training for others, recognizing that it has developed this expertise, and it will not be fully utilized in the future. Although Baltimore's DSS is supporting other employer-driven training programs and the state of Maryland is doing so as well, each will be challenged to leverage the expertise of these programs to serve a broader population as time evolves.

Program's Role in Work Force Development System

Maryland and the city of Baltimore's organizational approach to welfare reform has changed substantially in recent years. The effort has moved from one that was highly integrated into the overall work force development system to one that is now concentrated within the social service system.[4] These changes have resulted in social services agencies developing their own strategies and capacities for reaching the private sector. The challenge in Baltimore is great. The city has a caseload of 33,000, and it is estimated that almost 40 percent meet one of the following conditions: three consecutive years or more on assistance; no high school diploma or GED; or never employed.

The employer-directed welfare-to-work initiative as represented by Stop Shop Save and the other two businesses are part of an evolving strategy for engaging the business community in welfare reform. It is part of a strategy that is designed to reach the business community through

[4] Until last year, the city's JOBS program was effectively administered by the Mayor's Office of Employment Development (OED). Among other things, this office administers the JTPA program, staffs the local Private Industry Council and administers the one-stop career centers program. OED's role in welfare-to-work has diminished substantially as the DSS has taken a more proactive role.

a number of different avenues. Elements of the strategy include: employer-directed initiatives, as profiled through this report; privately contracted training and placement; and DSS-managed placement. The latter two elements require staff who are responsible for conducting job development and placement activities on behalf of recipients.

Integral to each of the elements is the flexible use of various welfare-to-work tools such as subsidized work (via grant diversion), work experience and direct training support. Baltimore uses these tools in different ways and in different combinations, depending on the program. For example, these tools are used differently among two of the employer-directed initiatives. As noted earlier, BMC combines work experience and subsidized work in its program. The Omni Hotel/Goodwill Industries initiative receives upfront funds for direct training support.

In soliciting private training and placement providers, Baltimore opened the competition to private, for-profit firms. Several were selected, including the nationally known America Works. In each instance, Baltimore is contracting for pre-employment preparation and direct, unsubsidized job placement. Payment, which is based on a set fee per participant, is provided based on performance: 20 percent based on completion of the first month's training, 30 percent upon placement and the last 50 percent after 26 weeks of employment. All providers are expected to work with recipients referred by DSS and are not given an opportunity to prescreen potential candidates. How well this will work is uncertain, since it just got under way in the summer of 1997. It will be interesting to see how well the for-profit firms perform relative to nonprofit providers. It is important to note that Baltimore has awarded two other contracts to provide services to the hard-to-serve; that is, the 40 percent who met at least one of the conditions mentioned above.

The major difference among Baltimore's various approaches is the fact that the employer-directed programs have an existing demand for workers, or the firms would not be engaged in the program. The three firms, however, likely will have the capacity to hire only several hundred people annually (particularly if they reduce turnover), which amounts to less than 1 percent of Baltimore's need. It will be up to the other providers and DSS to connect the vast majority of recipients with employers. To date, however, Baltimore has yet to fully develop a comprehensive and concerted approach to reach employers, particularly one that reaches across the regional economy to engage businesses on a consistent basis. Currently, the city's PIC serves as the business advisory group on welfare-to-work issues.

Overall, Baltimore's support for employer-directed welfare-to-work initiatives is but one small piece of the community's welfare reform effort. In its current form, it will make only a slight contribution to the challenge of employing thousands of recipients over the next several years. Importantly, however, the effort does symbolize the city's willingness to engage in creative activities with private-sector businesses and do so in ways that benefit the city, public assistance recipients and firms. Communicating this message and using it to leverage the involvement of other businesses in the welfare-to-work movement could be the most important contribution of this initiative.

Future Potential For Employer-Directed Welfare-to-Work Initiatives

The efforts of BMC Inc., Marriott International and others suggest that private businesses are

willing to engage in welfare-to-work activities beyond simply opening their hiring processes to accommodate welfare referrals. How many are willing to do this remains to be seen, as does the willingness of public agencies to support this method of training and placement at a level commensurate with the commitment made by the city of Baltimore. As of this writing, the Welfare-to-Work Partnership, the leading national organization tracking private-sector involvement in welfare reform, has begun to identify, through some of its publications, businesses that are engaged in this type of activity.[5] The level of commitment by both firms and public agencies to this type of training is important if such efforts are ever to reach scale.

The motivations for private firms to undertake this type of initiative are straightforward: to develop a better motivated and qualified labor force to take entry-level jobs and to contribute to a community's effort to make welfare reform succeed. An important outcome expected by firms is that these workers will stay employed, thus reducing the turnover rate for entry-level positions. With this bottom-line expectation, it is important to acknowledge the employer-directed initiatives are not well-suited to addressing a recipient population largely made up of the harder-to-serve. As noted earlier, an important lesson from BMC's early classes was the importance of selecting the best motivated candidates for the program. BMC does not believe it has the expertise or capacity to help recipients with significant barriers get ready for employment. This perspective was emphasized in a review of Marriott International's disappointing efforts to expand its welfare training program to include a harder-to-serve population. In commenting on the ability of the private sector to address the needs of the harder-to-serve (or the lower half of the caseload), the director of Marriott's Pathway to Independence program declared: "It's not something we can do; it's not something we will do; it's not something we should do."[6]

Clearly, however, there is a middle range of the welfare population that falls between those who are hard-to-serve and those who would likely get jobs on their own. This middle range population can benefit from an employer-directed training program that is tied to real and identifiable job opportunities. The advantages of such efforts are several:

- **Means for adding value to workers** that is beyond the basic pre-employment training focus on life skills. Even though training programs may be short in duration, they are oriented to providing trainees an introduction to a set of skills that will be used in the workplace. In addition, the programs reviewed also include an on-the-job training component. This type of customized training can provide a level of confidence about the work environment that facilitates the on-the-job adjustment process.

- **Approach for emphasizing training over immediate work attachment** as the combination of classroom and on-the-job training creates the opportunity to consider all hours as allowable work experience activities. This facilitates the ability to invest in recipient training and still achieve TANF participation requirements.

- **Method to leverage investments in training** as firms such as BMC are willing to finance the costs of training upfront with the expectation that the grant diversion will help cover

[5] For anecdotal examples see: *Blueprint for Business: Reaching a New Work Force*. The Welfare-to-Work Partnership and National Alliance of Business, summer 1997.

[6] Milbank, Dana. "Under the Underclass: A Bold Welfare Experiment Fails," *The New Republic*, Aug. 4, 1997, p. 24.

expenses over the long run. This approach helps direct subsidies toward training as opposed to a bounty for making a hire, and possibly leads to firms being more patient with new hires.

▸ **Avenue for obtaining strong hiring commitments** for welfare recipients as few firms would be willing to develop and operate a program without the need for workers. The public relations value of firms willing to make this type of commitment may be as important as the actual employment of recipients.

▸ **Opportunity for midsize and possibly small firms to participate** in welfare-to-work beyond being asked to hire recipients. Each of the firms in Baltimore operates at the local level (without national corporate backing for their efforts), and the largest employs only 600 people. Such experiences demonstrate that this type of activity is not limited to the major corporations of the country.

▸ **Vehicle for working regionally** as few businesses limit their scope of operations to jurisdictional lines. Stop Shop Save operates 15 grocery stores in the Baltimore area and spans across jurisdictional boundaries.

Employer-directed welfare-to-work initiatives are not without limitations. Key among them is the issue of scale and the ability of communities to support enough such ventures to make a real impact on the caseload. Equally important is the need to ensure that investments in training are not so specific that trainees/employees have little ability to move beyond the immediate positions for which they were hired.

It is also important to give more consideration to the issue of working with the harder-to-serve. Although the Marriott experience warrants serious attention, other experiences demonstrate that this issue is not so clear-cut. As noted earlier, the Omni Hotel/Goodwill Industries initiative in Baltimore has adjusted its program to provide an open exit for participants; they do not automatically go into the on-the-job training component after two weeks of classroom training. Instead, participants are referred onward when they have demonstrated the ability to perform at that level. The program also is willing to send those who are not performing well in the on-the-job experience back into the classroom for additional pre-employment preparation.[7] Similarly, Project Index in Tulsa, Okla. (a partnership between the chamber of commerce and a local manufacturer) has created a process by which the harder-to-serve are provided a sheltered work experience before they move into more mainstream operations.[8]

Another important issue raised by this case example is that of subsidies. On the one hand, BMC, similar to many businesses, downplays the significance of subsidies. They note that the DSS grant diversion basically helps defray the costs of training. On the other hand, when combined with federal and state tax credits, the total value of the subsidies obtained by BMC is not insignificant. How important an issue this is in the overall welfare-to-work effort remains a subject of much debate. One important feature of the BMC effort is that the

[7] It is possible to do this and still meet TANF work participation requirements when recipients are defined as being engaged in a work experience activity. As noted before, such an approach offers greater opportunities for spending more time in education and training activities as long as they are directed to preparing recipients for specific employment.

[8] A critical point of the Marriott experience appears to be that the company cannot afford the cost of working with this population. An important question is whether they would work with this population if all costs were effectively covered. Ultimately, the issue may be determining who is going to bear the costs/burden of preparing the hard-to-serve population for work.

grant diversion subsidy by design is used to help recipients obtain skills training within an occupation, something that is not required with the use of either federal or state tax credits. The bottom line in Baltimore is that BMC is employing and retaining welfare recipients.

Overall, employer-directed work force development initiatives are not a new phenomena. They are more commonly known as customized training and are more typically directed at non-welfare populations. Making customized training work for welfare recipients represents one viable tool among many for engaging the private sector in this important public policy objective.

Private Staffing-Supported Welfare-To-Work Initiatives

Private staffing, or temporary services agencies, have increasingly been viewed as a primary entry point into the labor market for welfare and other disadvantaged populations.[1] These firms have credibility with private-sector employers; longtime experience with skills assessment, training and placement; and, perhaps most important, an operating philosophy that every individual has work-relevant skills. For employers, these firms offer the opportunity to try out employees without assuming the risk of a permanent commitment. For welfare recipients, they offer the opportunity to experience a number of jobs and, frequently, to take advantage of a "back door" to employment.

For these reasons, temporary services agencies have been viewed as natural partners in developing welfare-to-work initiatives. These initiatives differ from employer-directed welfare-to-work models in that the temporary agency serves as the intermediary between the public sector and the workplace, and the employer of record for participants. In the most fully realized version of this model, trainees are referred from public welfare and work force programs to a temporary agency that then offers skills assessment, preparation and job matching. Trainees are employees of the temporary services agency, which may provide a number of short-term placements. Frequently, businesses solicited to hire welfare recipients are offered tax credits and public subsidies for employment of recipients.

Initiatives built around temporary services firms also differ from privately directed programs such as America Works. America Works, along with other similar organizations, were established with the specific mission of preparing and placing welfare recipients in the private sector. Through establishing training programs and developing employer networks, these organizations aim to build a training and placement system around welfare recipients. Temporary services agencies, by contrast, already have a full system — including an extensive network of employer contacts — in place and serving a diverse trainee pool. Temporary service firm initiatives seek to adapt this existing and proven system to the needs of welfare recipients.

The combination of the booming economy, with its increasing demand for workers, and the national priority now placed on work attachment for welfare recipients have led both the temporary services industry and the public sector to pay increasing attention to the potential for partnership. Nationally, both large and small temporary services firms are involved in some way in welfare-to-work efforts. The following profile details a partnership between the world's largest temporary services firm, Manpower Inc., and a coalition of public agencies in Milwaukee intended as an experiment in forging a formal pathway for welfare recipients to temporary placements and career employment.

Profile: Manpower Inc., Milwaukee, Wis.

Manpower Inc., with $7.5 billion in sales and 800,000 employees, is the nation's largest temporary services agency, and by some measures, the nation's largest private-sector employer. The firm has 2,400 offices around the world, and refers to itself as one of the world's largest providers of training. Traditionally the firm has not focused on

[1] See: *Skills Assessment, Job Placement and Training: What Can Be Learned From the Temporary Help/Staffing Industry*, Jobs for the Future, Boston, 1997

the welfare population. However, with unemployment rates below 5 percent in many parts of the country, including Milwaukee, the firm is turning its attention to welfare recipients as a means to expand the pool of workers available to its clients.

Manpower's involvement in the public/private partnership came through the company's participation in the Milwaukee Job Center Network (MJCN). The city, spurred by a decline in public funding for the employment service (staff went from 45 to 17) and the search for a new approach for dealing with the unemployed and welfare population, formed the MJCN in 1993 with a coalition of public agencies and training providers. Partners included the Private Industry Council, the Wisconsin Job Service, the Milwaukee Area Technical College (MATC), community-based organizations and the Greater Milwaukee Committee.[2] These partners were expected to work collaboratively through a one-stop employment office known as the Job Center. At the suggestion of the Greater Milwaukee Committee, the MJCN sought a private-sector partner to manage the Job Center and focus on employer recruitment. In response to urging from both the governor and the Greater Milwaukee Committee, Manpower Inc., together with Forward Services (a locally based employment agency), responded to a request for proposals and were awarded responsibility for overall management and employer recruitment.

Although a promising model, the Milwaukee Job Center Network was not a success. Manpower and Forward Services did take on a managerial role and particularly focused on employer recruitment. However, disagreements on a host of issues — structure, approach, participation and operating style — led to Manpower leaving the network. The company has since opened a downtown office, which has made a special effort to recruit welfare participants through largely non-public channels such as churches and personal networks. Manpower is now considering expanding this approach to other cities.

Program Design and Operations

The Milwaukee Job Center Network. The MJCN partnership evolved over time. The original request for proposals provided $217,000 for center management and employer recruitment. All partners agree that the MJCN's organizational structure, which focused on a team approach to overall operations, meant that Manpower's effort was primarily directed toward developing and overseeing the employer recruitment component. Manpower had very limited contact with clients, screening, assessment, training and job matching, which were all largely the responsibilities of other partners.

The major innovation of the Milwaukee model was in asking Manpower to restructure employer recruiting to reflect Manpower's experience in dealing with the private sector. The changes introduced by Manpower, while real, also reflect what all partners agree are the limitations imposed by the nature of the partnership design adapted in Milwaukee. The program was structured as follows:

- **Objectives.** The goal of the employer recruitment component was to obtain as many full-time unsubsidized jobs as possible. Manpower specifically did not seek to recruit temporary positions. There were no formal benchmarks for wages or benefits, although public partners informally were seeking $8 to $10 per hour.

[2] The Greater Milwaukee Committee is a business membership organization made up of Milwaukee's leading private-sector employers.

▸ **Staffing.** The employer recruitment component was staffed by 14 employer representatives drawn from participating public agencies. Manpower had no role in staff selection.

▸ **Training.** Employer representatives were provided training drawn from the Manpower model emphasizing sales and accountability. A three-week training module included instruction in how to write a job order, assess and evaluate a workplace, talk to an employer and market incentives such as subsidies.

▸ **Employer Recruitment.** Although Manpower employer representatives did not approach employers as Manpower but, rather, as representatives of the MJCN, the company did try to adopt elements of the Manpower model to employer recruitment. Under the former system, job orders were unsolicited. The Manpower approach, designed to foster organized employer contact and recruitment, was structured by industry sector, with each representative assigned to one to three industries. To promote better performance, staff were given performance benchmarks, with Manpower management attempting to encourage competition among employer representatives. As part of the overall solicitation, employer representatives marketed incentives such as tax savings and public subsidies.

Typical jobs solicited included positions in health care, light industrial work and back room clerical and financial operations. In addition to soliciting individual job orders, Manpower promoted "special recruitments" targeted to large employers, such as UPS and Quad Graphics, which featured participant intakes linked to employer needs.

▸ **Participant Recruitment and Matching.** Employer representatives referred job orders to the job service and other jobs center partners. Manpower's role, by design, largely excluded participant contact including recruitment, assessment, training and preparation. Manpower did do some prototype assessment using its own instruments, but this was restricted to a limited number of participants. Manpower requested the opportunity to do additional screening, a change in the operating procedure, which other collaborators responded could not be made until the following year as it required state permission and possibly additional funding. At least one collaborator, however, noted that this change was needed. Manpower's limited role in client assessment and matching became a significant issue in the company's decision to leave the partnership.

The Manpower office. Because of continuing disagreements over authority, structure and approach, Manpower left the MJCN. Since that time, the firm has had some success in recruiting welfare recipients through a downtown satellite office originally targeted to students at nearby Marquette University. Through the efforts of office staff, the downtown office sought out welfare recipients in churches and community organizations. Although not marketed or presented as the "welfare office," this location has since attracted a number of welfare recipients. The office operates without any public support.

This office employs Manpower's traditional "reverse funnel" system, which is designed to screen people into a variety of jobs. Steps in the process include:

▸ **Intake.** An in-depth interview including work history, skills, references and applicant preferences for work experience and responsibility.

▸ **Skill Tests.** Diagnostic tests designed to

measure skills and attitudes as well as give workers a sense of the working environment. Tests include: Ultradex, a test of industrial skills designed to measure the skills used to perform critical tasks such as packaging, inspection, small parts assembly and machine operation; RAPT, a test that measures software function knowledge; and Ultraskill, which measures actual office skills. All tests reflect Manpower's philosophy that all clients have some measurable skills. Results from RAPT and Ultraskill flag appropriate job options and training needs.

▸ **Training.** Manpower provides both hard and soft skill training to participants. Hard skill training includes experience in a wide variety of software packages linked to customer needs, with training directly related to job requirements. Soft skill training includes a series of eight videotapes — with accompanying workbooks and discussion — focused on phone, listening, teamwork and related workplace skills.

▸ **Job Matching and Placement.** Manpower staff match information drawn from customer visits and job orders with results from assessments, interviews and prior work history, to make the placement.

Manpower's downtown office has used this approach with welfare recipients, many drawn through personal recruitment at a nearby church. Recruited participants go through the standard Manpower system described above, although office staff reportedly have made extra efforts to provide needed support, counseling and even financial assistance. Manpower President Mitch Fromstein also cites the importance of minority staff to the office's success. As described further below (see issues) there is consensus that the welfare population recruited to the downtown office, while subject to a number of barriers, is less disadvantaged than many, if not most, of the participants remaining in the public system.

Program Results and Benefits

Manpower reports its efforts in working with the MJCN resulted in 1,800-2,500 jobs per month and included an increase in quality jobs. The director of the regional employment service office reports that the Manpower-directed approach, which involved 14 trained marketing representatives, tripled the number of job orders from the previous system of six job service employees who processed largely unsolicited orders. The director also credits Manpower with introducing the concept of "special recruitments" targeted to specific employers, and of introducing a marketing approach to public employees.

There is apparently no measure of how many of the jobs Manpower developed were filled by MJCN welfare participants. Entered employments increased during the period of Manpower's tenure. The regional employment service director observed that the goal was to seek jobs at $7 an hour with benefits, and this objective was "mostly met." There was some disagreement as to the effectiveness of Manpower's effort, with one of the MJCN collaborators noting that many of the jobs solicited were unsuitable (i.e., higher skill levels, too far away) for center participants and thus "worthless."

Manpower's downtown center has been notably successful for a new office; its rapid growth will soon put it in line with longer-established offices. *The Wall Street Journal* reports that about 80 parishioners from a nearby church have been recruited to date. Fromstein describes his intention to open "half a dozen" offices similarly targeted to a predominantly or substantially welfare population in other cities around the country.

Program Issues

The underlying goal of the Milwaukee initiative was to link Manpower's credibility, employer contacts and "system" to the publicly supported welfare-to-work strategy, thus creating a pathway into the workplace for Milwaukee participants. Although Milwaukee had referral and other contact with temporary services agencies before the MJCN initiative, this effort was the most formally structured and ambitious attempt to build this connection. As noted above, the partnership between Manpower and the MJCN team was not a success. In reviewing both the Milwaukee partnership and Manpower's subsequent efforts in establishing an office targeted in part to welfare recipients, a number of relevant issues emerge.

▸ **Approach.** The MJCN model did not test the real potential (or lack thereof) of a full-fledged partnership with a temporary services provider. As noted above, the Manpower "system" encompassing intake, assessment, training and placement was not put into effect in Milwaukee. Efforts were focused primarily on employer recruitment, with some prototype efforts made at assessment.

By and large, all partners agree that Manpower had only limited contact with participants, despite Manpower staff requesting the opportunity for expanded screening and placement. Although Manpower was able to adapt some of its client-marketing and data-gathering approach to its employer recruitment assignment under the MJCN model, the impact was somewhat diminished in that Manpower did not hire staff assigned to be employer representatives. Manpower's ability to recruit businesses also was tempered in that the employer representatives could not use the Manpower name, nor could they promise potential employers that the customary standards for client assessment and screening would be maintained.

▸ **Applicant Selection.** In other cities studied, such as Baltimore (see Stop Shop Save), the private-sector partner developed an interview and screening process designed to produce a more selective pool of applicants. In the MJCN model, Manpower had no control over the selection process, nor any significant information about potential candidates in the client pool. This lack of information was attributed both to the model design and to lack of effort to develop an effective working relationship between Manpower and the Job Service. A number of partners noted that this limited information hampered effective employer recruitment and resulted in unuseable or inappropriate job orders.

▸ **Hard-to-Serve.** Manpower's Fromstein described the overall welfare population as divided into three groups. Level One are those who have only minimal barriers and are essentially ready to work. Level Two are those with moderate barriers who can be moved into work with social supports and some soft skills training. Level Three are those who read at the sixth-grade level or below and have significant barriers. Milwaukee's current unemployment rate is below 5 percent. All partners agree that the majority of the welfare pool remaining in the city, including most of those in the public system, are Level Three. Thus unlike in other places, development of a large pool of trainees meeting selective standards is difficult without additional training and social support. Fromstein notes that Manpower trainees need at least a high school diploma or GED, must be drug-free and have no police record.

Although the promise of a large-scale welfare-to-work initiative employing the Manpower "system" was not tested, all interviewed agree that it is unlikely the current Manpower model can

serve Level Three participants without additional remedial and support services. More significantly, as Fromstein observed, the investment necessary for Level 3 participants to succeed in the Manpower system cannot be met economically, even in a tight labor market. As Fromstein notes, the downtown center currently appears to serve a Level One or Level Two population of largely motivated participants drawn to the center through canvassing the active membership of churches and other community networks.

▸ **Structure.** The fundamental structure of this partnership appears to have limited its effectiveness. Manpower's success and reputation were gained through developing a strategy and model in which it controlled all individual components leading to placement of trainees with businesses. The MJCN was organized as a collaborative in which decisions were made jointly and responsibilities divided. The need for collaborative decisionmaking, all partners agree, hampered Manpower's ability to manage the operations as originally called for in the proposal. The focus on collaborative decisionmaking also highlighted a clear difference in style between Manpower and its public-sector partners. Manpower, used to private-sector norms, attempted quick decisionmaking and rapid implementation, while the public-sector partners were accustomed to consensus building, careful review of decisions and, sometimes, the need for several layers of approval. This clash in operating norms was, not surprisingly, the cause of much frustration and a contributing factor in dissolving the partnership. Most seriously, the structural decision to separate employer recruitment from assessment, training and placement undermined Manpower's ability to gain the full confidence of employers and to test the effectiveness of its model with a lower skilled population.

▸ **Competition.** A related issue was the inherent competition between Manpower and public partners, particularly the Job Service. In Milwaukee, as elsewhere, the Job Service views job placement as a fundamental part of its mission. As above, Manpower views job placement, along with assessment and training, as necessary for successful implementation of its system. Although the Milwaukee Job Service and other partners did prove flexible in a number of areas, they would not agree to a model that ceded control over core functions. As one partner observed, the public agencies had 'no incentive' for Manpower to succeed. This clearly raises questions as to the potential of future public/private collaborations of this kind, although changes in the system in Milwaukee and elsewhere (see next section) may make this question moot.

▸ **Barriers.** Typical placements generated by temporary services firms such as Manpower often raise a number of barriers for participants. Jobs frequently are located in the suburbs of a metropolitan area, where public transportation can be a substantial issue. A number of program partners noted that race can be a substantial barrier, particularly with suburban placements. An additional barrier was that a number of placements generated were second- or third-shift jobs, intensifying transportation and family issues. Program partners also cited personal barriers, including lack of suitable clothing, ready cash and difficult family situations.

▸ **Culture.** A number of partners noted that the Manpower culture was not geared to urban welfare recipients but, rather, to an educated, motivated and frequently suburban population. Manpower's Fromstein, who has some broader experience in welfare policy through serving on the boards of

public/private ventures and federal commissions, described his growing understanding of the needs of the welfare population and the challenge facing Manpower (and other employers), commenting that many welfare participants were likely to have not one barrier to the workplace but rather six or seven. Fromstein also has noted that few in the Manpower organization shared his perspective or background on welfare participants, and may have difficulty adapting the Manpower system and traditional mode of operation to accommodate them. In this sense, the success of Manpower's downtown office is an anomaly attributed largely to the foresight and enterprise of its manager in actively seeking welfare participants through church and community networks. At the same time, Fromstein is seeking to duplicate this success by experimenting with outreach to the welfare population in other cities.

One partner noted that Manpower and other top-tier employment placement firms, which frequently provide blue chip corporations with relatively skilled workers, may not be those best suited for partnerships aimed at welfare recipients. Smaller firms are more likely to target entry-level jobs and work with small to midsize local employers. Such firms, particularly those with a history of working in the cities, might also have a better understanding of the needs of the welfare population.

Program's Role in Work Force Development System

Wisconsin and Milwaukee's approach to welfare reform has evolved substantially through the continuing implementation of the Wisconsin Works (W-2) program, an aggressive effort to move Wisconsin's welfare population to some form of "work opportunity." This model set up six districts in Milwaukee, each managed by a provider organization chosen by competitive bid. Each of the city's 25,000 welfare recipients are assigned to one of these districts, managed by nonprofit organizations including Goodwill, OIC and the YMCA, as well as a for-profit firm, Maxximus. This new model replaces the previous strategy that steered participants through the MJCN and other pathways to work.

W-2 is somewhat modeled on the concept of a health maintenance organization, with each provider receiving a fixed payment for service to a pool of recipients. Providers are responsible for payment to families and for provision of services. The strategy is designed to provide incentives for organizations to move participants into the work force as quickly as possible, but has also been criticized on the grounds that it does little to distinguish between effective placements and otherwise encouraging clients to leave the rolls.

W-2 is based on a four-step ladder of work opportunities intended to ensure that every participant is engaged in some form of work activity. In addition to placement in unsubsidized work, the ladder includes subsidized jobs with private-sector employers (including both tax credits and state subsidies), community service jobs requiring 30 hours of work a week and "Transitions," for those clients with the greatest barriers. Those participating in Transitions receive 28 hours of weekly activity, which can include counseling and treatment.

Under the new approach (which formally went into effect in the fall of 1997), each of the five provider agencies has primary responsibility for screening, assessment, preparation, placement and post-placement services, as well as employer outreach and job development. Services can be conducted internally or under contract. One provider agency sees the ability to design a system from "scratch" as a major advantage of the current

model over the previous system (including the MJCN), in which providers needed to connect with different pieces run by different organizations. The new approach allows provider agencies to develop much more sustained and consistent participant contact.

Although providers have the discretion to contract with agencies such as Manpower to provide services, the potential of a full partnership with Manpower has not been tested under the new W-2 model. To date, none of the providers has contracted with Manpower to offer its "system" or component services. Manpower is viewed as a job referral source by some providers, as are a number of other temporary services firms in the city.

In addition to internal assessment, preparation and job development efforts, at least one of the providers in partnership with Milwaukee Area Technical College and city agencies is seeking to create a prototype workplace known as the Work Opportunity Resource Center (WORC). In cooperation with employers, the center would provide soft skills preparation, customized training, and internship-based experience to participants referred from provider organizations.

Future Potential For Private Staffing-Supported Welfare-to-Work Initiatives

Although the Manpower Jobs Center Collaborative partnership was not a success, Manpower's subsequent experience in Milwaukee and its plans for expansion suggest that temporary services firms do see potential in working with welfare recipients to expand their trainee pool and are willing to move in this direction even without public subsidy. For Manpower and other temporary services firms, today's strong economy offers increasing economic justification to work with those with lower levels of work experience, skills and academic credentials, as well as those who need more preparation for the workplace. This in turn opens clear opportunities for welfare-to-work programs.

The Milwaukee experience is less informative about the appropriate role for the public sector in developing pathways for recipients into the temporary services industry. One relatively clear lesson, at least from Manpower's point of view, is the need for temporary agencies to perform all their traditional roles: employer recruitment and participant assessment, training and matching, in order to reap the full advantage of their contacts and credibility with the private sector. This clearly diminishes the potential role of the public sector, at least in programs aimed at those welfare recipients Manpower would consider employable.

The Milwaukee experience also underlines some important limitations to private-sector interest in the welfare population. One is that labor market demand must be sufficiently strong (in Milwaukee the unemployment rate is under 5 percent) to encourage firms such as Manpower to look beyond their traditional recruiting sources and consider motivated, employable welfare recipients.

The second is that even in a tight labor market, welfare trainees must meet certain clear threshold standards of skills, motivation and lack of severe personal barriers. In labor markets such as Milwaukee, these thresholds seem likely to exclude the hard-to-serve, who are estimated to make up 40 percent to 60 percent of the remaining welfare pool. Like Stop Shop Save, profiled in the Baltimore case study, and the example of the Marriott Corp., Manpower believes that it cannot now economically justify service to Level Three participants, those with significant barriers to employment. As Fromstein has said, "My job is not to be a social

planner (but, rather) a forward-looking CEO."

Although there is little support for serving the most disadvantaged, there is a broad middle range of the welfare population — Levels One and Two — those with few or moderate barriers to employment and who can clearly benefit from the connection to a temporary services firm. The advantages of using temporary employment firms as a path to employment for these participants include:

- **Means to expand private-sector opportunities and access** for welfare-to-work participants. Temporary services firms, such as Manpower, have access to a wide range of employers, including many of the Fortune 500. Manpower's pre-existing connections with these employers, and continuing efforts to develop new relationships, provide Manpower trainees with a gateway to a broad selection of business, manufacturing and service jobs that can often lead to permanent employment.

- **Means to achieve scale** in the number of jobs available for welfare recipients. Use of the employer networks developed by temporary services firms opens a virtually unlimited pool of business, industrial and service jobs to welfare recipients and reduces dependence on any one company or sector.

- **Means for adding value to workers** well beyond pre-employment or life skills. Temporary services firms, such as Manpower, can provide relatively extensive training, including general workplace skills and specific training in software or industrial techniques, customized to employer requirements. This type of customized training increases participant and employer confidence and can help ease worker adjustment.

- **Vehicle for working regionally** as many temporary services agencies cross city and suburban lines. Manpower and other agencies develop placements throughout the metropolitan area in each city they serve.

- **Opportunity for small and medium size businesses to participate** in welfare-to-work in ways that do not require large investments. Manpower's assumption of intake, assessment and customized training and placement provides all employers with the opportunity to participate in a welfare-to-work initiative at minimal cost. Second-tier temporary services firms can likely offer access to a larger range of small and medium size employers.

- **Vehicle to provide continuing training and upward mobility.** Temporary services firms can offer welfare recipients sequential work assignments, allowing recipients to experience a variety of workplaces, while gaining skills and experiences. Manpower and other temporary services firms can also provide enhanced training during the course of this sequence, enabling participants to seek higher-paying jobs from the temporary services pool.

- **Ability to serve as an intermediary** between business and welfare recipients, increasing employer confidence and participation. Temporary services firms are the formal employer for trainees, with continuing responsibility to the client business. Manpower and other temporary services firms can serve actively in this role, in traditional areas such as recruitment, assessment and training, as well as in post-placement activities such as supervision and upgrade training. In this way temporary services firms can "package" the intermediary role and offer it to selected employers.

This early and continuing role can give confidence to firms that, for economic and social policy reasons, are interested in reaching out to a welfare and disadvantaged population but are concerned about participant skills, attitudes and adjustment to the workplace. Manpower is currently in discussion with several firms to develop a focused training and placement effort targeted to welfare recipients and other economically disadvantaged populations.

▸ **Means to provide credible skills certification** for participants in welfare-to-work programs. Identification as a trainee of Manpower or other temporary services firms provides a near-automatic certification of basic employability skills, as well as specified hard skills, depending on the job order. Because Manpower and other temporary services firms' credibility with the private-sector transfers to trainees, a credential from these entities is inherently more meaningful to employers than an equivalent public-sector certification.

▸ **Vehicle to develop a market-based information base for assessment, training and placement.** Manpower and other temporary services firms research business skill needs and workplace requirements as a fundamental and continuing part of their operations. Manpower's "reverse funnel" approach is designed to assess a wide range of specific skills and aptitudes based on employers' needs. Building on its own data drawn from customer orders, Manpower, using intake interviews and custom-developed tests of office and industry skills, can identify and certify skills in its trainees that employers are currently seeking. This market-based strategy provides an information base for certification, training and placement that few, if any, public efforts can match.

Private staffing welfare-to-work initiatives are not without limitations. Even in targeting the more employable welfare recipients, there are continuing questions as to whether agency culture can be adopted to serve those who likely have lower skill levels and limited work experience, as well as significant personal and family barriers. Staffing agencies, too, will likely need to address expanding their strategies to incorporate added support services such as transportation, clothing and cash advance/assistance. In targeting central city welfare populations, agencies also may need to address racial issues with suburban and other employers.

It is also important to continue to address the issue of working with the harder-to-serve populations that may well be the majority remaining in many welfare caseloads. Although there may be no current economic justification, even in low unemployment areas, for temporary services firms to recruit participants with significant skills and personal barriers, this may be an area where new forms of public/private partnerships can work to prepare Level Three recipients to meet the thresholds demanded by temporary service firms.

One option is for the public sector to contract with temporary services firms such as Manpower to provide needed pre-employment preparation for the Level Three population. Manpower is, by its own account, the largest training provider in the world. Although it is not currently involved in developing customized preparatory training for a low skills/high barrier population, its president believes that its current system can be adapted to the needs of the Level Three population, provided that there would be outside resources to pay developmental costs. This option would likely also require additional personal supportive services for participants, which might be best provided by an outside agency.

Funding for efforts like this could come from TANF dollars, assuming that participants were employees of the temporary service agency. Interestingly, none of the current Milwaukee providers has contracted with Manpower to provide this kind of preparatory training for those on its caseload. It may be, as one observer commented, that Manpower, with its current culture and top-tier client base, is not the appropriate kind of temporary services firm to target Level Three recipients. Nevertheless, it is clear that the kind of package offered by Manpower — an extensive employer base combined with established screening, assessment, training and placement procedures — can offer welfare recipients an important path into the workplace.

Community-Based Welfare-To-Work Initiatives

The efforts of community-based organizations across the nation to assist individuals in escaping poverty have expanded and broadened in recent years. One area that has received increased attention is work force development, in which community-based organizations (CBOs) have taken steps to help residents gain access to training and job opportunities, as well as to assist local businesses in addressing their labor needs. Community-driven employment and training initiatives are now recognized for their innovation and effectiveness, particularly those that have developed meaningful ties to local employers.[1]

Increasingly, CBOs are looking to and being asked to play an important role in local welfare-to-work activities. An article in the *National Journal* (May 1997) reported on discussions within the Clinton administration on how to use community-based groups to expedite the connections between residents of distressed inner-city neighborhoods and local employers.[2] Publicity surrounding successful employment and training programs such as the Center for Employment Training in San Jose, Project STRIVE in New York and Focus: HOPE in Detroit have raised expectations that CBOs might play a more fundamental role in the welfare-to-work movement. Although the 1996 federal welfare reform legislation did not exclude CBOs in any way, it did not include any provisions for encouraging their participation. The 1997 Welfare-to-Work Grants Program, however, expressly identified CBOs as eligible applicants for welfare-to-work activities and stressed the importance of being responsive to community-based needs.

For the most part, CBOs are seen for their potential to serve as job brokers or intermediaries between residents and employers. Implicit in this role is the need to balance the employment needs of community residents with the work force needs of local businesses. One initiative that has successfully balanced these needs is found in the approach taken by the Westside Industrial Retention and Expansion Network (WIRE-Net) of Cleveland, Ohio. The effort links small manufacturers into a network that is sharply focused on maintaining the "economic status" of its neighborhoods and the level of economic activity. Instead of attempting to address poverty by changing culture, WIRE-Net seeks to avoid poverty by maintaining strong economic conditions for neighborhood businesses and residents. It does so through comprehensive linkages to employers and the broader community. As the following profile shows, an important element of WIRE-Net's effort is its Hire Locally program. This multifaceted initiative, which combines job brokering with other labor market services (e.g., job retention), addresses the work force needs of business while addressing the employment needs of local residents, including those seeking to move from public assistance into full-time work.

Profile: Westside Industrial Retention and Expansion Network (WIRE-Net)

WIRE-Net is a member-driven, community-based organization. Established on the west side of Cleveland in 1986, its mission is to retain, grow and attract industrial and related employers and to engage them as stake holders in the community. WIRE-Net's traditional service area includes five

[1] Bennett, Harrison, *Building Bridges: Community Development Corp. and the World of Employment Training*, a report to the Ford Foundation, January 1995.

[2] Stanfield, Rochelle L., "Just Connect," *National Journal*. Washington, D.C., May 31, 1997, p. 1082.

neighborhoods of 65,000 ethnically and age-diverse residents, many of whom are low-income. Recently, the service area was expanded through the incorporation of another local development organization to include a population of 120,000. Members include local manufacturing businesses and share a symbiotic relationship with the neighborhood residents, many of whom participate in WIRE-Net. Residents enter training programs that are designed to meet the needs of the member businesses, who view the program participants as potential employees.

While not specifically a welfare program, WIRE-Net's program participants include low-income people and people receiving public assistance.[1] WIRE-Net's approach of identifying needs of employers and residents — and then using the information to develop job linkage and retention strategies — exemplifies the work force development issues that welfare reform seeks to capture. Work force development, especially for people who may have received public assistance, exists as a partnership between WIRE-Net and its members. Members take their own initiative but also seek assistance from WIRE-Net, both through staff-driven activities and by bringing members together to share ideas and experiences.

WIRE-Net provides services to its membership of 180 manufacturing firms, most of which are small businesses. Additionally, it also provides a lesser degree of services to virtually all of the approximately 420 non-member industrial firms in the defined neighborhood. Early on in its history, WIRE-Net staff began regularly calling on its membership to determine their needs and competitive risks. WIRE-Net utilized the data culled from this industrial retention effort to develop responses in the form of member services and other programs. This aspect of WIRE-Net's work was replicated across the region as the Cleveland Industrial Retention Initiative, of which WIRE-Net is now a part.

WIRE-Net's programs also include training and workshops on topics such as marketing and establishing on-site education programs. One service to its members includes the Hire Locally program, the primary focus of this case study. Through Hire Locally, WIRE-Net refers job-ready neighborhood residents to the members for possible employment. Thus, the organization provides its members with a pool of qualified workers, which ensures retaining the employers and keeping residents employed, often within walking distance of their homes. WIRE-Net staff estimate that over the past year, 30 percent of members' job openings have been filled by their referrals. As a result, much of the income generated by successful business retention activities is retained in the community that surrounds the businesses.

A unique aspect of WIRE-Net is its deep roots in the community. In addition to providing services directly to employers and workers, the organization is also involved in redevelopment of industrial property in the area, beautification efforts, conflict resolution and a variety of other community improvement activities. It appears to have played a catalytic role in preserving not just industrial jobs but neighborhoods as well.

The WIRE-Net staff is deeply familiar with

[1] Several years ago, WIRE-Net worked specifically with public assistance recipients, particularly area residents receiving AFDC, as part of Ohio's Demonstration Employment Opportunities Program (DEOP). An evaluation of the program found that community-based organizations can play an important role in welfare-to-work efforts (see Brandon Roberts + Associates, *An Evaluation of Ohio's DEOP*, Ohio Department of Development, Aug. 25, 1994). Despite this fairly successful experiment, efforts to build more systemic linkages have not worked well, especially with the JTPA apparatus. Overall, the experience appears to have made WIRE-Net somewhat hesitant about deep entanglement with public-sector initiatives, which typically include an extensive regulatory and reporting structure. Currently, the organization recruits any job seeker, employed or not, regardless of other characteristics.

their community and members. They can highlight hundreds of examples of firms who have received services, hired local residents or participated in community projects. WIRE-Net members are likewise familiar with the organization and can relate the organization's activities to the interests of their firms. The relationship between WIRE-Net and its membership appears to be quite deep, going beyond simply paying and collecting dues.

Program Design and Operations

The Hire Locally program emphasizes full-time employment and career transition as opposed to temporary or part-time work. Hire Locally now includes more than just instruction on how to obtain a job and referrals for possible employment. The program recently added a job retention focus, which emphasizes removal of barriers to working both before and after starting a job. Hire Locally has two tracks, one for employers and one for program participants. Jobs available in the program are mainly entry-level, although middle management positions are being added to the program.

Unlike temporary agencies, which sometimes seek to put a good worker in as many different jobs as possible because that will generate more revenue and good will for the agency, WIRE-Net seeks to place good workers in long-term, full-time jobs. WIRE-Net's approach is broad and integrated. It has worked to keep people off of public assistance by helping firms to stay in the neighborhood and hire residents, which has the added benefit of serving WIRE-Net members.

Determining what employers need, and working with residents to help them fill that need, represents an integrated approach. It recognizes that people may need more than job training before they can work. They may need education, child care, transportation or an alarm clock. Working with the person as a whole results in a stable worker for an employer and independence for the program participant. The following are the key elements of the WIRE-Net's Hire Locally program.

▸ **Member Needs Assessment.** As WIRE-Net is member-driven, it designs programs in response to what members have articulated either through surveys or meetings. In addition to communicating work force needs, members voice a desire for assistance in improving the basic skills and attitudes of incumbent workers. Members have discussed the need for workers who will show up for work regularly, be punctual, have a high school diploma or equivalent and can be trained to do a specific job. As welfare recipients have come under increased pressure to find employment, at least some members describe a new challenge of serving as a social worker for employees in order to make it possible for them to retain a job.

Members may receive support and assistance in setting up programs, such as an on-site training or education center. More importantly, WIRE-Net offers members the chance to learn from each other. For example, a group of members may meet for a luncheon to hear about experiences on setting up education and training programs and share frustrations and rewards of such efforts. This helps employers adjust to changes caused by welfare reform and contribute to their overall management capability, as well as to work force development.

▸ **Orientation Workshops For Interested Residents.** Interested residents may just walk in, but most attend either a mini or major workshop to learn what to expect of WIRE-Net and what, on behalf of its employer members, it expects of them. Recruitment occurs both through direct, community-based promotion using flyers and newsletters and through outreach strategies using

community-based organizations such as churches and community development corporations. About half of all participants come to WIRE-Net through word-of-mouth referrals. Virtually no referrals come from governmental welfare agencies, although many come from community-based social service groups. Major workshops may include 40 people as well as some WIRE-Net area employers recruiting for openings and providing information. These workshops teach marketing skills as well as skills for people to make themselves ready for a job. About two-thirds of the participants complete the workshop and go on to the next stage.

▸ **One-on-One Interviews.** After participating in an orientation workshop, program enrollees attend individual interviews with the manager of employment programs, who determines if they are job ready, meaning there are no serious barriers such as lack of education, training, child care and transportation that would prevent them from working. If he identifies any, he refers them to the WIRE-Net social services support person. Once barriers have been addressed, the program participant and manager work to develop an employability plan to determine an applicant's skills, interests, accomplishments and aptitudes. Participants may also be assessed in workplace literacy, reading and math. The WIRE-Net designation as "job ready" is credible with its members because they trust the organization and have seen the results of the Hire Locally program.

▸ **Training Programs.** Cuyahoga Community College's Unified Technologies Center (UTC) offers a pre-employment Basic Skills in Manufacturing course. It was designed with survey input from WIRE-Net members in order to determine the preferred contents of such a course. WIRE-Net staff then used the survey results as they worked closely with the college to develop the course that reflected the preferences of the members and capitalized on the capabilities of the UTC. The course has recently been expanded from 100 hours over five weeks to 160 hours over eight weeks. Currently, the contents go beyond job readiness to expose students to job retention strategies, workplace mathematics, blueprint reading, computer literacy, basic milling and turning, job safety and other skills. To take part in the course, participants must undergo a drug screening and an assessment. The combined cost of the screening, assessment and course is $1,375. Of that the client pays only $50, the company $200 and WIRE-Net pays the balance. During the course, participants work part time for member firms while in school, with the commitment of a full-time job upon successful completion of the course. It is offered approximately four times per year. Participants also are referred to other training programs as necessary.

▸ **Referral of Program Participants.** Once program participants are declared job ready, they are referred to a company for an interview, which may be for a particular job or just to fill out an application. The manager of employment programs serves as the liaison between the participant and employer members. The participant meets with the member firm, and either the firm or participant reports back to WIRE-Net. Because the employer is the WIRE-Net member, the staff will not make a referral until convinced that the participant will be able to succeed in the workplace. To do otherwise would undermine both the credibility of future referrals and the likelihood that the firm would continue its membership.

▸ **Job Retention Workshops.** These occur every two months after placement and focus on

skills needed to retain a job and achieve career advancement. Workshop attendees include people who went through orientation and any training workshops to become ready for work. Some participants are employed when they enter the retention workshops, while others have either not found employment since their training workshops with WIRE-Net or were employed but later lost their job for whatever reason. These workshops are typically in the evening and last for a few hours. Topics include adjusting to a new work environment, working well with others, addressing conflict in the workplace and handling job stress. The workshops are facilitated by a WIRE-Net staff member, but participants share their experiences and learn from one another.

▸ **Supervisor Training.** WIRE-Net provides training to supervisors within its member firms. These programs have two purposes. First, members realized that many people rise to supervisory and management positions without any training for their new roles. They may lack interpersonal skills to address conflicts among the employees they supervise. Second, supervisors often lack knowledge of how to provide support for people who lack job readiness. They are not likely to know how to be social workers and address problems that former welfare recipients face. This aspect of supervisor training is intended to link with the broader job retention strategy of WIRE-Net.

Program Results and Benefits

Enrollment in the Hire Locally program has grown substantially since the beginning of 1995. For that entire year, 215 residents enrolled in the program, an average of 18 per month. For the period of Jan. 1, 1996 through Aug. 1, 1997, 1,268 enrolled, an average of 63 per month. Since 1995, 543 of these enrollees have been placed into full-time jobs.

Placement rates also have increased, but not as rapidly as enrollments. For 1995, the average monthly placements were 13; for 1996-97, the number had increased to 19. This means that the ratio of enrollments to placements for 1995 was 1.4:1, while for 1996-97 it was 3.2:1. The difference is overstated somewhat since many 1997 enrollees may still be placed.

Retention rates at several time periods are shown in the table below. The year-to-year decline in long-term retention rates may reflect the declining quality of the available labor pool.

The average placement wage for 1996 was $6.92 per hour, an increase of 48 cents per hour from the previous year. For 1997 year-to-date, the average placement wage has increased to $7.04.

In addition to these benefits for individuals, WIRE-Net also has contributed to the overall stabilization of manufacturing employment in its area. While such employment has continued to decline in the entire city, the WIRE-Net area has

WIRE-Net Hire Locally Statistics

	All of 1995		Jan.1, 1996 – Aug.18, 1997	
	Number	Percent	Number	Percent
Enrollments	215		1,268	
Total placements	152	100%	391	100%
Retention rate at:				
10 days			285	85%
30 days	94	62%	197	59%
90 days	71	47%	123	39%
180 days	62	41%	61	24%
360 days	46	30%	25	17%

Notes: For enrollments, the period is Jan. 1, 1995 through Aug. 1, 1997. For all other data, the period ends Aug. 18, 1997. For placements, 1996-97 percentages are adjusted to account for those placed so recently that they could not have been on the job for the period reported. 1995 percentages assume that all placements could have lasted at least 360 days. For 1995, 10-day retention was not reported.

seen a decline of only 1 percent during the past five years. There has been only one plant closing in the area in the past three years. This stability, along with other community-based initiatives, has allowed the WIRE-Net area to remain economically vital while similar neighborhoods in other cities have come unraveled. *(See accompanying chart.)*

Employers report improvements as a result of their efforts to educate and train their new employees. They cite increased confidence and self-esteem of workers, personal motivation, a means for advancement, communication among departments, accurate time sheets, less absenteeism, increased punctuality and increased profit. They state that they do not want to calculate the costs of a program and cannot calculate the benefits accurately. The comprehensive benefits of intangibles, such as increased confidence, are not easy to capture in quantitative terms. One employer summed up the reasons for instituting education and training programs. He said they are smart for the bottom line of a business, and they are the right thing to do for the community.

Program Issues

WIRE-Net operates in the context of a changing work force development system in the greater Cleveland region. Despite its successes to date, the program currently faces a set of key issues that represent important challenges for the staff and leadership of the organization. These include the following:

▸ **Strong Economies Don't Last Forever.** Currently, employers desperately need people for entry-level positions. WIRE-Net has more than 300 job opportunities from its members. However, when the economy slows down and demand for labor is less than supply, employers can be more choosy about whom they hire. They will have fewer jobs available and want people who are job ready. In such an environment, WIRE-Net may have a much more difficult time placing program participants in the neighborhood. WIRE-Net leadership believes that members will expect the organization to address this issue effectively. Although a specific strategy has not been developed, the issue is a high priority. Because the current strategy is based on the premise that employers are having difficulty finding qualified applicants for entry-level jobs, a labor surplus would require a fundamental rethinking of the synergistic relationship between the employers and residents that WIRE-Net brokers.

▸ **Employability of Program Participants.** WIRE-Net is not alone on this issue. The people who are most employable will find jobs. The challenging participants are those who cannot get a job even if they follow all of WIRE-Net's recommendations. They lack skills and education and may confront other, very large barriers. This issue becomes more pressing if the economy slows down. Senior work force officials in Cuyahoga County estimate that 25 percent to 50 percent of welfare recipients fall into the category of hardest-to-serve, a group for which virtually no program or strategy exists. This will become critically important as recipients near the end of their eligibility.

▸ **Addressing All Barriers Facing the Residents.** WIRE-Net recently retained one staff person to meet the various social needs of all of its program participants, who currently number in the hundreds. As more people leaving welfare seek employment through WIRE-Net, one person may not be able to accommodate all participants, as many barriers will present themselves before placement. This population faces difficulties with child care, lack of high school diploma or work

experience, difficult personal relationships and severe financial constraints. In addition, those from outside the WIRE-Net area also experience transportation problems that can threaten job stability. Together, these issues can make job placement and retention very difficult for those attempting to find work. The hiring of this staff person is one step in what will inevitably be a challenging process of identifying and addressing such barriers.

▸ **Job Retention.** WIRE-Net may be able to place people in jobs initially, but program participants must retain those jobs. If WIRE-Net's caseload increases, it is unclear whether it will have the capacity to sufficiently address retention and support service needs. These services go beyond those directed at the workers and include assistance to employers in understanding the retention barriers and addressing them effectively. One member — a personnel manager — says that he needs to be a social worker for many of the new employees, but does not know how to play such a role. Another describes herself as having to become a resource person to provide phone numbers or make calls for social services for her employees. These and other WIRE-Net members struggle to determine how to address the barriers faced by their employees who have left public assistance. One employer has chosen to hire from the west side only because transportation is too exhausting for workers commuting from the east side of town. Convincing workers that weapons are not needed or welcome at the workplace has also proved challenging, as employees feel they need protection in transit to and from the workplace. In response to poor work ethics, one employer tried to make work fun so that people will come to work, be involved and develop a good work attitude. As a result, turnover is down to 102 percent from a high of 200 percent, safety and attendance have improved and injuries have declined. A human resource director commented that while this new role is a challenge for her, she sympathizes with smaller firms that may lack a human resource department. This leaves the foreman to address problems unrelated to the functioning of machines.

▸ **Future Funding and Capacity.** The funding for WIRE-Net's Hire Locally program has been provided mostly through a grant from the Pew Charitable Trusts and local philanthropic groups led by the Cleveland Foundation. This grant expires early in 1998 and will leave the program with a huge void in its funding base. WIRE-Net faces serious financial difficulties as its Pew funding ends. Despite its success, WIRE-Net has not been able to create a long-term funding stream to support its activities. Member dues and fees account for less than 10 percent of the organization's overall budget. No funding for work force development is provided by either the city or county.

Even as the funding issues begin to loom, the demand on current staff increases. If the Hire Locally program is to truly meet the needs of members over a sustained period, staffing will likely need to expand to address the increasingly difficult labor supply in the area. Any staff expansion would, of course, exacerbate the funding problems. The staff understands that this funding challenge poses a serious threat to the Hire Locally program and to WIRE-Net itself. This appears to have stimulated more creativity and openness to exploring relationships with the public sector.

▸ **Harder-to-Serve.** As noted in the sections on barriers and job retention above, WIRE-Net is now confronting the difficulty of serving individuals with more barriers — and more serious barriers — to employment. At the same time, however, its narrow

geographic focus means that it must remain able to serve a broad range of clients in terms of employability. This is somewhat different from programs that focus only on the harder-to-serve constituency, since it means that staff cannot be as specialized. Again, the focus of WIRE-Net is to serve the employment needs of its member companies, but to do so in a manner that benefits the residents of the area. The diversity of the residents is a strength of the community, but may present distinct programming challenges as the mix of participants changes.

- **Career Advancement.** After program participants succeed in getting a job and maintaining it for a time, career advancement becomes the next critical issue. Because the wages in many entry-level positions are not sufficient for true economic independence, moving up is an important element of the welfare-to-work process. WIRE-Net provides assistance in doing so to all program alumni, whether or not they are moving off welfare. Because the members of WIRE-Net are employers, there is some sensitivity about helping workers look for other jobs, which can lead to lower retention rates within their work forces. These difficulties, however, appear minimal; employers seem to understand that low-wage workers may have a strong need to advance. WIRE-Net staff do advise participants of the importance of providing proper notice to current employers before leaving for a new position. The advancement services include one-on-one counseling and group sessions. Participants are instructed about how to refine their resumes, present the value of their work experience and conduct a job search while employed.

Program's Role in Work Force Development System

WIRE-Net does not have much of a relationship with the city or county work force organizations. Neither view it as a central player in the work force community. Both levels of government are willing to work with WIRE-Net, but only on their terms. WIRE-Net, its members and the public sector view each other through the lenses of stereotypes. WIRE-Net and its members view the Cuyahoga County government as a huge bureaucracy plagued by inertia. WIRE-Net has the trust of its members and is seen by them as a credible source and partner in work force development. Members do not view government similarly.

On the other hand, officials in the county Department of Employment Services tend to see the private sector as focused on a quick fix and lacking patience to develop programs. This department, which includes the welfare functions for the entire county and JTPA services for the non-Cleveland portion of the county, recognizes that the private and public sectors need to discuss how to address the changes and deadlines. However, the department has only just begun to build relationships with employers, and faces serious barriers to doing so successfully. On the other hand, WIRE-Net is having an increasingly difficult time finding potential workers to meet the needs of its members. It is not clear why the department and WIRE-Net have failed to see the synergy that could be achieved though a more collaborative relationship. It appears that the funding uncertainty faced by WIRE-Net has made the staff much more open to potential new collaborations than they might have been previously. By taking a more pro-active posture, WIRE-Net could break the logjam and capture this potential synergy.

The city of Cleveland would like WIRE-Net to expand its school-to-work program, DESTINY,

which is not a central function of WIRE-Net. While it lauds the work WIRE-Net has done on the west side, the city would like to see WIRE-Net expand to provide jobs to residents of other neighborhoods and for employers from other industries. However, it does recognize that the narrow focus of WIRE-Net has also been its great strength.

The city would like to incorporate WIRE-Net into its work force development strategy, which includes opening four, one-stop career centers that will offer social support services, job training and job search skills. It sees WIRE-Net's place in school-to-work for out-of-school youth, where it can reach the students who have dropped out to give them career options and keep them off public assistance. As with the county/WIRE-Net relationship, the potential for synergy appeared strong but unlikely to be captured; however, that is changing as of December 1997. Although the city initially planned to develop a one-stop in the WIRE-Net area with little, if any, direct linkage to the group, it now intends to invite WIRE-Net to play a lead role in the one-stop. Employers are likely to view this approach as much more positive than the redundant approach that was originally contemplated. Movement in this direction may strengthen employers' perceptions of both the city and WIRE-Net.

Both the city and county report that they collaborate with one another on strategy. The city and county Private Industry Councils now meet jointly on a regular basis to develop consistent work force development plans and programs. Despite this collaboration across levels of government, neither agency has chosen to make WIRE-Net a partner in any meaningful way. This is especially odd given WIRE-Net's history as a model for the development of the Cleveland Industrial Retention Initiative. Clearly, the organization is viewed differently by the work force establishment than it has been by those in the economic development world. The business membership of the PICs includes some key WIRE-Net members. These individuals may be in a position to help tell WIRE-Net's story in the work force context.

Another emerging factor in work force development is the Cleveland Jobs and Workforce Initiative (JWFI). This is a foundation-funded and employer-led initiative that is intended to address the overall imbalance between the needs of employers in the Cleveland region and the available work force. Despite the availability of 70,000 unemployed residents, there are not enough workers who meet the needs of employers, who are unable to fill well-paying jobs. In that context, the leadership of JWFI characterizes WIRE-Net as an important model and sees the need for WIRE-Net to be replicated in other Cleveland-area communities, and for such entities to be coordinated with the developing one-stop career center or an even broader work force development center. This already appears to have had some effect, with the best example being the city's recent change in perspective regarding the possible role of WIRE-Net in the one-stop. It is not yet clear whether JWFI will succeed in its ambitious effort to restructure the work force development system, but it is clearly an organization with substantial influence. If it does, such linkages would make it possible to overcome some of the geographic limitations that currently make job placement difficult.

Future Potential for Community-Based Welfare-to-Work Initiatives

Historically, CBOs have played an important role in community stabilization. The importance of work force development to these efforts will likely increase as welfare reform advances and more community residents are forced to seek work. The

increase in federal welfare-to-work resources available to CBOs will likely propel even more to consider providing work force developing services.

By focusing on improving the economic status of the entire community — both local businesses and residents — the CBOs, as demonstrated through the efforts of WIRE-Net, can make a substantial contribution to avoiding the downward spiral toward systematic poverty that many other urban communities have witnessed. There are a variety of advantages to the particular approach that WIRE-Net represents. These include:

▸ **A mechanism for putting business and community on the same side.** Too often, businesses and community organizations find themselves in conflict, despite sharing many common interests. WIRE-Net has created a forum in which those commonalties are emphasized and acted upon. Where conflicts arise, the organization has been able to broker workable solutions.

▸ **An opportunity for building from an existing economic base.** While many economic development strategies are built on a recruitment model in which new businesses must be brought in from elsewhere, WIRE-Net supports existing firms. These firms appreciate the value placed on them in this approach, and respond by increasing their commitment to the community.

▸ **A means for promoting synergy among firms.** Because of the deep knowledge that WIRE-Net staff have of the operations, products and services of its member firms, they can help to broker collaboration and supplier-customer relationships among them. This, in turn, creates even more connections to the specific geographic area in which the firms are located.

▸ **A vehicle for creating real employment opportunities for low-income residents.** WIRE-Net has succeeded in brokering far more employment opportunities within its community than would have occurred without its intervention. By showing residents how to find and compete for job opportunities in their neighborhoods, WIRE-Net changes the economic fortunes of these individuals. Even though many of the opportunities are at the entry level, they allow individuals to gain experience and compete for better jobs in the future. These very local employees represent an important asset to the businesses, especially in the current tight labor market.

▸ **An avenue for generating increased local income and spending.** For the community, the income generated by the jobs held by community residents supports many local retail and service firms at a higher level than would be possible otherwise. This economic multiplier effect can contribute substantially to the long-term vitality of the area.

▸ **An approach that offers multiple services to two important constituents.** By addressing the needs of both local businesses and residents, WIRE-Net is able to offer a more complete or comprehensive package of services. As such, its work force development activities extend beyond job brokering. This not only reduces the potential for service fragmentation and duplication, it also creates an environment for staff to observe and learn from all aspects of the operation. Thus, post-placement problems that may occur on the factory floor can be dealt with through retention or pre-employment activities, or a combination of both, all of which are the responsibility of WIRE-Net.

As demonstrated above, the WIRE-Net approach clearly includes advantages for other urban communities, but implementing it would involve several substantial challenges. First, the base of small manufacturers that make up the membership is somewhat unique. Many poor areas have lost such a base, if it ever existed. Second, the timeline for developing the relationships and capacity necessary for success is lengthy. WIRE-Net began in 1986 and has begun to have a much more substantial impact on hiring in the past few years. The level of patience and tenacity required for this achievement is rare. Third, Hire Locally has been funded as a demonstration mostly by a large, national foundation. Such a source is not likely to be available to many communities.

WIRE-Net itself has constantly evolved in order to directly respond to member needs and demands. As a result, the Hire Locally program and the job retention effort emerged. This adaptability and flexibility represent a process element worth considering elsewhere in the work force system, especially the public sector.

To effectively learn from the lessons of WIRE-Net — adaptability; cooperation among businesses and the community for mutual gain; integration as an approach to economic development; job retention; and dismantling barriers — they must be incorporated into the publicly supported work force system. This will require the public sector to adapt. However, in that context, WIRE-Net could risk losing its unique identity and advantages. Progress in this direction has occurred in recent months, so now the challenge is to capitalize on it in terms of positive, ongoing relationships.

For other urban areas, establishing the kind of deep, trusting relationship that WIRE-Net has with its employer-members — while also maintaining credibility with the broader community — will prove challenging. However, success of this nature is clearly worth pursuing. While not a panacea, the integrated community-based, economic development/work force approach that WIRE-Net has taken shows real promise for urban communities able to marshal the necessary resources.

Education and Training-Focused Welfare-To-Work Initiatives

National welfare reform legislation in 1996 (Personal Responsibility and Work Opportunity Reconciliation Act) codified an emerging movement in welfare-to-work practices across the country by giving priority to immediate labor market attachment efforts over education and training. In fact, the legislation was written to limit the percentage of welfare-to-work participants who could engage in education and training activities.[1] Now generally referred to as "work first," this approach to welfare reform has dominated the thinking and practices of most welfare reform efforts across the country.

Fifteen months later, new discussions are emerging over "work first" vs. education and training. As many of the more employable welfare recipients have moved into work, the remaining participants are increasingly seen as unemployable, as they do not possess the basic skills, attitudes or motivations to effectively contribute to a private-sector workplace. Six weeks of pre-employment preparation and job search is not viewed as sufficient to overcome the barriers that accompany the harder-to-serve population. Businesses who express a willingness to hire welfare recipients are reporting that they can not, and will not, shoulder the burden of helping unprepared and non-motivated workers adjust to the idea and demands of work while they are employed in meaningful work.[2]

For many places, the presumed answer lies in refining pre-employment preparation programs and/or turning to new intermediaries to address this problem. Few have turned to education and training as a solution. For those that have, the most common approach is to develop customized education and on-the-job training programs in collaboration with individual businesses and industry sectors. This has the advantage of preparing recipients for a defined job, most often with a guaranteed placement, and the ability to consider the participant engaged in work experience as opposed to vocational educational training.

One of the most promising initiatives to provide education and training for welfare recipients is Florida's Performance Based Incentive Funding (PBIF) program. As profiled below, the initiative offers community colleges and vocational training institutions bonus dollars for effectively training and placing welfare recipients into targeted occupations. Importantly, the program relies on sophisticated analyses of labor market information data to ensure that publicly supported training efforts are responding to the work force needs of current, new and emerging industries in Florida. Although its use for this purpose has not been extensive to date, PBIF does represent an important strategic tool for simultaneously addressing the pre-employment deficits of recipients and the work force needs of growing businesses.

Profile: Florida's Performance Based Incentive Funding (PBIF) Program

PBIF is a market-driven program to encourage community colleges and vocational training centers to prepare students for high-skill and high-wage occupations that respond to the work force needs of growing businesses. In its essence, the program is a tool to foster economic development objectives of the state of Florida, as it

[1] The legislation, as amended in 1997, limits the number of individuals in vocational education training who can be counted as "engaged in work" for TANF participation rates to 30 percent.

[2] See related Mott Foundation project reports on focus groups with business. In particular, *Employers' Perspective on Welfare-to-Work: Findings from Florida Focus Groups*, Brandon Roberts + Associates, August 1997.

is based on the idea that a well-prepared work force is an essential ingredient for economic growth. The program also is designed to increase the numbers of at-risk people who are educated/trained by community colleges and vocational training centers, and are placed in jobs with sufficient wages and career mobility opportunities. The program is administered by the state's primary economic development entity, Enterprise Florida, through an affiliate organization, the Jobs and Education Partnership (JEP).

PBIF uses financial incentives to stimulate changes in educational and vocational training programs. Incentive dollars are available to institutions that can effectively train and place students in targeted occupations identified by the state of Florida. Double incentive dollars are available for effectively placing designated populations, such as dislocated workers and welfare recipients, into targeted occupations. Although serving disadvantaged populations is just one element of PBIF, the initiative is increasingly being seen as a promising tool to assist welfare recipients prepare and make the transition into work. Legislation and policy governing Florida's welfare-to-work efforts (known as Work and Gain Economic Self-Sufficiency (WAGES)) has been recently modified to further PBIF's application to welfare recipients. To date, however, the tool has not been widely used to serve this population.

Program Design and Operations

PBIF is directed to public institutions involved in post-secondary vocational education and training. This includes all of Florida's 28 community colleges and most of its local school districts.

Since its inception in 1994, PBIF has attempted to serve Florida's welfare population. Early on, the program directed welfare recipients to the same targeted high-skill and high-wage jobs as the general student population, albeit offering double incentives for such placements. During the last 18 months, the PBIF program has refined its targeted occupations to more clearly align with the skills and work experience levels of welfare recipients and the reality that it could not invest unlimited time and resources to prepare recipients for high-skill and high-wage jobs.

Today the program, in serving welfare recipients, involves the following key elements:

▸ **Targeted Occupations.** All PBIF-targeted occupations, including those for welfare recipients, are identified through a state mechanism known as the Occupational Forecasting Conference. Enacted in 1993, the conference, which is made up of representatives from various state institutions, meets annually to determine the occupations for which education institutions may receive incentive funding. Determinations are made based on state-conducted analyses of labor market information data, as well as local reviews made by work force development boards and WAGES coalitions. Florida has perhaps the most sophisticated labor market analyses capacity of any state in the country, including the ability to track wage data for graduates of Florida's post-secondary institutions (Florida Education and Training Placement Information Program).

Placement into two different groupings of occupations triggers incentive funding for welfare recipients. First, are the general targeted occupations for all students, which are jobs meeting openings and growth criteria (e.g., 50-plus openings annually) and having an average wage exceeding $9 an hour. Second, are occupations strictly for welfare recipients and school-to-work participants that have a "floor" average of $7.50 per hour. JEP has recently formulated a third group of occupations strictly targeted to WAGES recipients.

PBIF will apply to training directed at occupations that are considered career ladder-type positions (e.g., certified nurses aide, home health aide provider) even though the wage level does not average $7.50 per hour. This is an effort to further the use of PBIF for WAGES recipients.

▸ **Incentive Funding.** Incentive funds are available for different populations. Florida set aside $6 million in TANF funds to serve welfare recipients during fiscal year 1998. Placement in a targeted occupation after training triggers a bonus payment to the educational institution. There are three basic aspects to the funding. First, institutions are expected to increase their performance annually. Thus, incentive or bonus dollars are available only for increases in completions and placements. In fact, standard institutional funding will decrease if performance is not equal to that of the past year. Second, payments are determined based on the level of education and the placement. Greater dollars are available for welfare recipients who complete a degree program vs. a certificate program. Third, payments are tied to the achievement of milestones such as enrollment, education/training completion and placement. An institution can receive almost $2,500 for a welfare recipient who completes a degree program and is placed in a targeted occupation. Fewer funds are available for participants who do not complete their education/training, but do find work in a targeted occupation. PBIF requires that incentive dollars be reinvested in work force development programs and may not be used for administration.

▸ **Curriculum Redirection.** To further encourage educational institutions to educate and train students in targeted occupations responsive to the work force needs of business and drop those less relevant to business, funding is available to support the costs associated with developing or modifying new courses and programs of instruction. Called redirection dollars, approximately $2 million in state funds support this initiative annually. An institution may receive up to $21,000 for any redirection effort in fiscal years 1997-1998, provided the effort has at least an equal match from local businesses.

▸ **Participant Tracking.** The success of PBIF is dependent upon the effective tracking of participant outcomes. Florida, perhaps more than any other state, is able to follow students from the education system into the workplace, documenting the types of jobs and wages that they receive through the use of the Florida Education Training and Placement Information Program (FETPIP). The system relies on the matching of education enrollment and completion data with wage record data provided by employers. By linking these files, FETPIP can determine whether students entered into industries for which they were educated and trained, and whether they are receiving sufficient wages to meet the criteria for high-skill and high-wage occupations. A placement is acknowledged if a participant accumulates wages during a three-month period that exceed a threshold of $4,320 for $9-an-hour jobs or $3,600 for $7.50-an-hour jobs (i.e., for welfare and school-to-work participants).

▸ **Occupational Completion Points.** PBIF has been designed in accordance with Florida's post-secondary system, which is based on the achievement of degrees or certificates. Under recently passed legislation (SB 1688),[1] post-secondary institutions will be able to develop occupational completion points (i.e., milestones toward the achievement of a certificate or degree) and count achievement of a completion point toward a claim on PBIF funding. This creates an environment

where all post-secondary institutions will be able to gain incentive funding even for short-term training efforts. Some speculate that it will encourage all community colleges (even those with no certificate programs) to provide more opportunities for students to gain workplace knowledge and skills, and to do so in a manner that allows for continuing employee development along defined career pathways. This also should result in more training opportunities.

▸ **Tuition Waivers.** Welfare recipients are not precluded from accessing educational and training programs because of their inability to pay tuition. In fact, long-standing Florida policy seeks to ensure that low-income, disadvantaged individuals have access to post-secondary education. For welfare recipients interested in training, efforts are made to access numerous funding sources (e.g., Pell grants, JTPA, TANF, customized training, state programs, etc.) to cover tuition expenses. Florida law does provide, however, the ability to waive a state requirement that 25 percent of educational costs be covered by tuition. Although the state has a cap on the number of waivers available, this is a potential resource to bring welfare recipients into educational and training programs and do so in accordance with the provisions of PBIF.

▸ **Career Advancement.** Recent Florida welfare legislation encourages welfare recipients to pursue continuing education as part of their effort to become economically self-sufficient. Referred to as the "bootstrap" provision, the law allows recipients placed into employment to access TANF funds for continued education. JEP has stipulated that this creates the potential for community colleges and vocational training institutions to direct these recipients into PBIF-sanctioned programs and receive incentive dollars for completion of education/training that will advance their career opportunities, and to receive incentive funds for obtaining increased wages as a result of their education/training.

It is important to note that the above elements represent what is available to serve welfare recipients in accordance with PBIF. To date, PBIF is not widely used throughout the post-secondary system to serve welfare recipients, and there are few efforts demonstrating how any one place has tied all of these elements together in a concerted effort to serve welfare recipients. Efforts are under way, however, to encourage greater use for welfare recipients.

Program Results and Benefits

Overall, 25 of Florida's 28 community colleges have submitted data on students participating in PBIF-related education and training during the past three years. Twenty-eight of Florida's 36 vocational technical centers have participated. In accordance with Florida statues, PBIF became mandatory for all institutions as of July 1, 1997. Thus, most of Florida's vocational education and training institutions have established administrative systems for the PBIF program.

Outcomes for the PBIF program have increased every year since the base year of 1992-93. Performance data on all students shows that the number of education or training completions for both community colleges and vocational training centers has increased from a base year number of 20,783 to 24,256 for 1995-96, an increase of 17 percent. During the same period, the number of

[1] SB 1688 also extends the PBIF concept/program to all adult education and professional technical programs offered by Florida's post-secondary institutions. Thus educational institutions will be able to gain further incentive dollars for their effective efforts to prepare and place students in high-skill and high-wage jobs.

completers placed in PBIF occupations increased from 12,550 to 16,851, for a 34-percent increase.

Outcomes for welfare recipients have also increased, although PBIF serves a very small number. Comparing performance data from the 1994-95 year (no base data were established) to the 1995-96 year shows an increase from 257 completions to 466, for an 81-percent increase. Of those completing, 147 were placed in PBIF occupations in the first year and 240 in the 1995-96 program year, for an increase of 63 percent.

Although PBIF data shows increases in participation over the base year, it does not reveal whether the increases are a result of actual increases in completions and placements or improvements in the ability of institutions to acquire data in accordance with the program. This is particularly relevant for the welfare recipients, since educational institutions traditionally do not record students' public assistance status.[1]

Another possible measure is the number of schools that have utilized curriculum redirection dollars to develop or modify courses or programs to meet PBIF occupational training needs. Although no overall accounting is available, the $2-million redirection allocation has been used every year. Given the maximum limitation on funding for each redirection, it can be estimated that more than 150 programs have been added or modified. It is not possible to determine, however, to what extent programs have been created to address the educational and training opportunities available to welfare recipients.

Recently compiled data (submitted voluntarily to the Florida Division of Community Colleges) suggests that several institutions are undergoing changes in order to serve more welfare recipients and improve outcomes associated with placement. One community college has set aside 50 percent of the seats in a health care training program for welfare recipients. Several others have specifically created new short-term and "pre-apprenticeship" training programs designed to specifically serve welfare recipients. Table 1, compiled by the state Division of Community Colleges, provides an overview of the programs developed for Florida WAGES clients (see end of report for Table 1).

Program Issues

As noted earlier, PBIF was initially conceived as an economic development tool intended to address the work force development needs of growing and emerging industries in Florida. Although PBIF included the double incentive for serving welfare recipients from the outset, it was understood that such efforts would be applicable to a small number of recipients.

With welfare reform, policymakers have looked to strengthen PBIF's ability to serve welfare recipients. As noted earlier, provisions have been enacted to broaden PBIF-eligible occupations in an effort to expand the opportunities for employment. In making these changes, Florida has created tools that offer significant promise. Putting them to work, however, particularly for large numbers of recipients, raises numerous issues around the full implementation of this aspect of PBIF. These include:

- **Recipient Recruitment.** PBIF is a market-driven program that is based on the assumption that the availability of extra incentive dollars will encourage educational and vocational institutions to serve targeted populations. Performance data indicates that this has occurred for students in

[1] Since 1990, Florida institutions have made concerted efforts to effectively report students served with Carl Perkins federal vocational education funds. This documentation, which covers economically disadvantaged individuals, has not necessarily tied into documenting individuals receiving welfare funds.

targeted populations; the increase from the base year through the 1995-96 program year is more than 40 percent. The increase for welfare recipients, one of several special groups within the targeted population, is slightly less, at approximately 37 percent. The absolute participation of welfare recipients, however, is quite small, as 2,396 enrolled in PBIF-sanctioned training during the 1995-96 program year. That amounts to a ratio of 45 students per participating institution. As noted earlier, one issue with participation is whether the education and training institutions are attempting to serve more recipients or are merely getting better at documenting recipients already participating. Interviews with several participating institutions found no specific efforts designed to enhance recruitment of welfare recipients nor did they reveal any particular mechanisms to facilitate the connections between WAGES participants and PBIF training. In fact, it was generally acknowledged that this is an area that warrants additional effort if Florida is going to serve more recipients through the program.

▸ **Hard-to-Serve.** Initially, PBIF was seen as a program with primary relevance to welfare recipients with high school diplomas or GEDs. The efforts to expand the eligible occupations have increased the opportunities for recipients to be trained and placed in jobs. They have not, however, necessarily broadened the range of welfare recipients who might participate in the program. Community colleges will still look for students who can pass general entrance requirements. Vocational training centers offer more flexibility for receiving less-prepared recipients, but still need students who can effectively participate in formalized training programs. Although the provisions in SB 1688 for occupational completion points may open up more opportunities for less-prepared participants, it is likely that significant pre-training assistance will be necessary to help the hard-to-serve population acquire the level of basic and life skills needed to meaningfully participate in a training program. This may require institutions to partner with other community-based groups or providers to provide remedial education and pre-employment preparation assistance before they formally enroll in a training program. It is too early to tell whether local welfare-to-work initiatives are being developed with this approach in mind.

▸ **Subsidies.** PBIF is structured to offer financial incentives for schools to train and place welfare recipients. Whether a double incentive or the overall level of payment is sufficient to induce schools to focus on welfare recipients, as opposed to other eligible student groups, is an open question, and one that likely should be answered sooner rather than later. As noted earlier, there are other provisions (e.g., tuition waivers) that can help ensure that no recipient seeking training is excluded for a lack of resources.

▸ **Curriculum Changes.** Linking PBIF with resources to finance curriculum development and changes (redirection dollars) has proved an important part of refocusing the overall system for vocational education and training. These resources have attracted the attention of schools, and in doing so, have promoted their connections with private businesses in their region. Data does not reveal, however, the extent to which curriculum changes are being made to develop training efforts more applicable to welfare recipients. Unlike incentive funding, redirection dollars are not adjusted to provide a higher level of funding for developing programs that serve targeted populations. Although it may not be wise to directly

finance such programs because they may end up being seen as "set-asides" for low performers, it may be possible to offer redirection incentives based on the percentage of targeted populations that successfully participate and complete a redirection-supported program.

▸ **Customized Training.** To date, it appears that most of the changes in curriculum have resulted in traditional forms of educational and training program development. It is not clear that efforts are under way to utilize PBIF for customized training opportunities. It would appear that Florida's Untried Worker Training program offers another subsidy tool (grant diversion directed to the employer) that could be used by schools in partnership with local employers for PBIF-sanctioned training. Institutions could develop customized training programs for employers or consortia of employers (e.g., industry sectors) and combine the classroom training with on-the-job experience. Not only could this increase the number of welfare recipients participating in PBIF, but also it could broaden the pool of recipients able to participate. Customized training programs generally have the ability to work with less-qualified students as a result of the direct link between learning and work.

▸ **Support Services.** It is not clear whether support services for PBIF participants are any more extensive through PBIF than those provided locally for all participants in welfare-to-work initiatives. One opportunity exists in the use of earned incentive dollars. As noted earlier, the law requires that PBIF-earned funds be returned to work force development programs. There was no evidence that educational and training institutions are exploring how these funds could be used to support welfare recipients while in the program or after placement.

▸ **Retention.** Although PBIF is structured to emphasize placement, not just completion of training, it is not clear whether significant attention is given to job retention. As noted earlier, placement is counted based on wages earned during a three-month period. Thus there are no incentives for retention beyond 90 days. Florida's sophisticated tracking system, however, is able to measure job performance beyond 90 days. Analysis of outcomes beyond 90 days should provide important insights on long-term retention issues.

▸ **Participation Rates.** Only 30 percent of the welfare-to-work recipients who have "work participation" requirements can be counted as "engaged in work" based on enrollment in vocational education activities. Florida, as of October 1997, does not know where it stands on this, as it does not have an official count of recipients who must be engaged in some work activity. Several people interviewed, however, doubted that the state was close to reaching the maximum point for vocational education and training. Thus at this time, the federal limit does not appear to be a barrier to greater participation. If that point is ever reached, initiatives around customized training (discussed above) offer the opportunity to count recipients as engaged in work experience, as opposed to vocational education and training. This also would apply to individuals in bootstrap training.

▸ **Program Application/Need For Technical Assistance.** The use of market forces through incentive funding is one way to encourage institutions to adopt the PBIF program. It is not clear whether dollars alone, however, will promote PBIF's use as widely as desired, particularly in serving welfare recipients. To date, Florida has not taken steps to develop statewide materials

detailing how PBIF can serve as a tool for welfare recipients. Similarly, it has not worked with local educational and training institutions or regional welfare and work force development groups to promote its use. Given the tools associated with this program and the many possible variations of use, as well as the potential to expand PBIF's use for recipients, it would appear that a concerted technical assistance effort could be of benefit.

Program's Role in Work Force Development System

Florida has taken bold actions to reform its overall welfare system. Its actions are a combination of state government redirection and the empowerment of local and regional authorities. In its simplest form, the current system is structured as follows:

- Overall, state policy for welfare reform is provided by the Florida WAGES Board, which is made up of officials from key state departments and agencies, as well as representatives from the private sector. The private sector chairs the board and has the majority of seats.

- Key state operational and administrative responsibilities for welfare reform are shared by three state agencies: Children and Families (DCF), Labor and Employment Security (DLES) and Health. For example, DCF is responsible for eligibility issues while DLES oversees employment and support services, as well as specific initiatives such as the Untried Worker Program (grant diversion).

- Implementation of local welfare-to-work activities are planned and directed by regional WAGES coalitions. These groups, whose regional boundaries correspond to those of the state's regional work force development boards, are responsible for all welfare-to-work and related activities in their region. They have broad policy and operational authorities. For example, regions may at their own discretion set minimum-wage requirements for job placements. Similarly, they may choose to contract for services from an array of potential providers. In fact, one region recently selected a coalition of groups that included Lockheed Martin to take over the case management functions of their region.

It is in this organizational context that policies are made for welfare reform. Despite the autonomy given regional WAGES coalitions, Florida welfare legislation and state-level actions have firmly advocated and promoted an overall state welfare reform policy of "work first." To date, this policy has dominated the thinking of most welfare-to-work officials. Less attention has been given to pursuing efforts around education and training, particularly the more expanded and effective use of PBIF. How the welfare-to-work system will address the additional tools and emphasis given to PBIF serving welfare recipients remains to be seen, including the effective utilization of $6 million in TANF resources allocated for incentive funding.

Future Potential For Education and Training-Focused Welfare-to-Work Initiatives

"Work first" is the dominant strategy of welfare-to-work efforts across the country. It is largely motivated by the desire to achieve placements with the belief that an attachment to a job will provide a core foundation for continued work and advancement toward economic self-sufficiency. Concerns are arising, however, whether such placements do, in fact, result in job retention and

career enhancement, particularly if participants are not adequately prepared for their work experience. As noted earlier, business is increasingly indicating that it is not prepared to bear the burden of helping recipients adjust to the workplace.

New innovations in welfare-to-work strategies are incorporating education and training activities in an effort to provide welfare recipients a core level of skills that will enable them to obtain jobs in occupations that are growing, and that provide opportunities for career and wage advancement. PBIF, along with sector-based training programs found in Arizona, customized training initiatives in Kansas City and employer-directed preparation programs in Baltimore, represent promising strategies that are intended to lead recipients to economic self-sufficiency. Whether these efforts are considered part of a "work first" strategy or a companion piece is still being sorted out in many places.

Clearly, these new innovations dispel the notion that education and training is strictly a long-term process involving months, if not years, of effort. Instead, they suggest that recipients can engage in education and training activities and make the transition into meaningful work within a reasonable time period, thus enhancing their future abilities within the workplace and providing employers with a more effective and productive employee.

These efforts, and particularly PBIF, offer a number of advantages to all welfare-to-work partners, including recipients, public agencies, businesses and education and training institutions. Perhaps the most significant advantage, as found with PBIF and sector-based initiatives, is that it *helps all partners to operate within the parameters of the marketplace.* For PBIF, the marketplace influence is twofold. First, it brings the job needs of business into the process in a way that enhances the value and results of education and training efforts. Second, it brings the element of market discipline into the process by providing financial rewards for successful outcomes. Underlying both of these elements is a viable tracking and accountability system that emphasizes outcomes over process and makes the process open and transparent to all participants.

Other possible advantages of more fully utilizing education and training within the welfare-to-work movement include:

▸ **Means for adding value to workers** that is beyond the basic pre-employment focus on life skills. Although such preparation may still be necessary, particularly for hard-to-serve populations, recipients have the opportunity to gain workplace skills that can lay an important foundation for future work and continuing education. Education and training in this context need not be offered in the traditional mode of a two-year degree effort. Florida's educational system reforms, particularly under SB 1688, provide the flexibility to create more short-term, flexible and customized training that can benefit recipients seeking to develop the abilities to become economically self-sufficient.

▸ **Vehicle for responding to the work force needs of business** by influencing education and training programs. PBIF rewards training and placement associated only with jobs in high-demand industries. Although as an economic development tool PBIF also targets high-skill and high-wage jobs, the program's focus on welfare recipients allows PBIF to address businesses' demand for entry-level positions that may not offer higher-level wages. This can provide a pool of better-prepared workers for these positions, which may lead to reduced turnover in entry-level positions and have

the potential benefit of improving workplace productivity.

▸ **Opportunity for educational and vocational institutions to participate** in welfare-to-work. The emphasis on "work first" has resulted in many places ignoring the capacities that had developed within educational and training institutions under JOBS. PBIF and other training efforts around the country represent efforts designed to modify and build off those capacities in new ways that support overall welfare-to-work goals.

▸ **Vehicle to provide continuing training and upward mobility** as recipients are exposed to the "culture" of education and training. Florida's "bootstrap" provision provides the means to support post-placement education and training, thus eliminating a major barrier for career development. Also, PBIF-targeted occupations for welfare recipients are selected because they offer career pathway opportunities.

▸ **Tactic for achieving scale** in the number of jobs available for recipients to make the transition into employment. By targeting occupations in high-demand industries, PBIF supports a process that prepares recipients for positions throughout the regional and state economy. Job opportunities can be found in multiple firms and are not limited to one employer that has agreed to participate in a welfare-to-work program.

▸ **Vehicle for working regionally** across jurisdictional boundaries and in keeping with the geographic patterns of local economic and labor markets. Operating in this fashion helps send a clear message that government is more interested in meeting the needs of its clients and customers than adhering to program traditions or jurisdictional prerogatives.

Education and training initiatives such as PBIF are not without challenges. Key among them is the need to balance the demands of business with the interests of public agencies and their public assistance clients. The most likely point of divergence is businesses' immediate need for entry-level workers and the public agencies' desire to ensure that clients are prepared to make an effective and permanent transition from welfare to economic self-sufficiency. As PBIF attempts to become more responsive to welfare recipients, a danger exists that this element of PBIF may be segmented from the overall process and be seen as a special set-aside for a targeted group. One of the great assets of PBIF is that it is considered an economic development tool to benefit business, and thus does not have the stigma of a "social service" program.

Also at issue is the capacity of education and training institutions, as well as regional welfare-to-work groups, to utilize PBIF tools in ways that fully take advantage of their potential innovative applications. This likely requires more than a process that relies on market forces for action, but a system that invests in providing strategic guidance and assistance.

Ultimately, the value of PBIF and similar initiatives will rest not on their success in stimulating welfare-to-work placements, but on the number of recipients who develop into productive members of the work force and financially support their families. Florida's PBIF program has most of the tools necessary to make this happen. Putting them to use at a scale and in a time period that can benefit both the employment needs of welfare reform and the labor needs of a prospering economy is the key challenge.

Table 1:
Community College Programs For WAGES Clients*

Name	Programs established specifically for WAGES clients[1]	Special sections of existing programs[2]	Enroll WAGES clients in these regular short courses	Created these exit points from regular programs	Special program
Brevard					X[3]
Broward			•security guard training •data entry •customer service •office clerk (others that lead to high-skill/high-wage jobs that are less than 12 months long)		
Daytona Beach	•building maintenance •certified living assistant •food preparation •home health aide •intro computer repair technology •intro fiberglass laminator •intro machining & manufacturing technician •office systems technology •patient care assistant •patient care assistant, long-term care				
FCCJ					X[4]
Indian River			•clerical skills •residential carpentry •patient care assistant •environmental services •home health aide		
Miami-Dade		X			
Pensacola	•certified teacher aide (child development and intervention) •office supervision •hospitality services •environmental services •food production and services	X			
Seminole			•nursing assistant •corrections •office support technology •DCT •nails specialty		
South Florida				•data entry •auto detailer •A/C installer •auto mechanics (8 exit points) •nails •nurse assistant •teacher aide	
Tallahassee	patient care assistant				

[1] Programs are for WAGES clients but other students may enroll.

[2] These sections may be offered at locations and times that are better suited for WAGES clients than the traditional college offerings.

[3] A pre-apprenticeship program aimed at enticing women into non-traditional occupations.

[4] A comprehensive program to match clients with PBIF programs that include academic remediation, as needed.

* This table was prepared by staff from the Florida community college system.

Wage-Subsidized Welfare-To-Work Initiatives

Employment subsidies have been utilized fairly frequently as an inducement to employers to hire targeted workers. Rationale for this tactic begins with an assumption that the cost of labor is a key factor in entry-level hiring decisions. Further, it assumes that the decision can be swayed toward targeted applicants, such as welfare recipients, who would not otherwise have been hired. Current examples of federal wage subsidies include the JTPA On-the-Job Training placement program (JTPA/OJT) and the Work Opportunity Tax Credit (WOTC).

In the JTPA/OJT program, placements can be for up to six months, and wages are subsidized through reimbursement to employers. The program requires an upfront commitment from employers to hire the individual into a permanent position. Also, the level of the subsidy is limited to 50 percent of the wages. Application, reporting and reimbursement processes are complicated. These characteristics limit the appeal of the program, even to employers who are very committed to participation.

The Work Opportunity Tax Credit is, in effect, an employment subsidy that operates through the tax code. It allows employers a credit for a portion of the compensation paid to targeted workers, including welfare recipients, from federal business taxes. This federal credit encourages employers to hire job seekers from eight targeted groups between Oct. 1, 1997 and July 1, 1998. In order to be eligible, welfare recipients must have been receiving assistance for nine of the previous 18 months. As provided in the Taxpayer Relief Act of 1997, the WOTC can reduce employer federal tax liability by as much as $2,400 per new hire.[1] The federal incentives for hiring welfare recipients are being raised as a result of the Welfare to Work Tax Credit, which encourages employers to hire long-term welfare recipients who begin work during a 16-month period starting Jan. 1, 1998. Targeted toward those who have been on welfare for at least 18 consecutive months or whose eligibility has expired, this credit allows up to a 35-percent reduction of tax liability in the first year and 50 percent in the second year. "Qualified wages" are limited to $10,000 per year; however, the credit can total as much as $8,500 per worker over two years. The two-year eligibility encourages retention of the new employees.[2]

In addition to these federal wage subsidies, many states provide similar inducements for hiring welfare recipients. Several states, such as Georgia, Maryland and Massachusetts, offer state tax credits for hiring targeted populations, including welfare recipients. Maryland, for example, provides up to $5,100 in tax credits over a three-year period for hiring workers who have been on welfare for at least three months before employment. Most states offer employment subsidies that are financed though a mechanism that diverts public assistance funds designated for recipients, such as TANF cash grants and food stamps, to employers who in turn pay wages. In Kansas City, Mo., the Local Investment Commission (LINC) provides employment subsidies of almost $2.50 per hour to businesses who employ hard-to-serve individuals. That program requires that all wage subsidy positions start at a minimum of $6 an hour and tries to find positions that have potential for wage increases.

One of the most significant employment

[1] U.S. Department of Labor web site, http://www.doleta.gov/wotcfy98.htm, October 1997.

[2] U.S. Department of Labor web site, http://www.doleta.gov/wtwweb.htm, October, 1997.

subsidy programs can be found in the state of Oregon. Known as JOBS Plus, the program has operated statewide for the past two years and provides a level of subsidy that today guarantees workers a minimum wage of $6 an hour. As the following profile illustrates, JOBS Plus is viewed as an important element of Oregon's overall welfare-to-work effort.

Profile: Oregon JOBS Plus

JOBS Plus is an employment subsidy program targeted toward hard-to-serve individuals seeking to make the transition from public assistance to work. The program is directed to several targeted populations, including welfare recipients, unemployment compensation claimants, food stamp recipients and non-caretaker parents of children receiving TANF benefits. This broad eligibility is part of a philosophy emphasizing the benefits of work for all, which led to the development of the program as discussed below.

The approach of JOBS Plus is consistent with the Oregon Workforce Mobility Continuum. This is a construct that recognizes all individuals need to continually enhance their connection to the work force by increasing their skills and broadening their experience, and that this can best be achieved through the collaborative efforts of multiple public agencies and the private sector. In this spirit, JOBS Plus was developed jointly between the Oregon Department of Human Resources/Adult and Family Services Division and a major Oregon employer, Jeld-Wen Corp., a manufacturer of windows, doors and other specialty wood products.

The unique role of Jeld-Wen and its nonprofit affiliate, the American Institute for Full Employment (AIFE), is an important part of the JOBS Plus story. Virtually all stake holders characterize the corporation's role as central to its development, marketing and continuation. As a corporation, Jeld-Wen holds a strong philosophical belief that all individuals are capable of productive work and should be expected to be so engaged. They advocate for this philosophy aggressively among state and federal policymakers across the nation. However, Oregon has been its initial and most intensive focus.

In 1990, Jeld-Wen led a statewide ballot initiative to advance its full-employment agenda. Ballot Measure 7 required all welfare recipients to work in exchange for wages at 90 percent of minimum wage. It also required the governor to seek the federal waivers necessary to implement the program. Although the initiative was adopted by voters, the federal government refused to grant the waivers. Jeld-Wen believed that the governor had failed to pursue the waivers effectively, and sued for a writ of mandamus to direct the governor to carry out her legal obligation. At this point, the state and Jeld-Wen began serious negotiations to craft an alternative to the initiative that would be more likely to pass federal muster and, from the state's point of view, more likely to be effective.

The negotiations yielded not only the design for a JOBS Plus demonstration, but also a strong and reasonably warm relationship between key officials at Jeld-Wen and AFS. Both sides believed that they had come out of the process with their key philosophies and objectives intact, but with a better understanding of and appreciation for the other. The demonstration was launched in six pilot sites by AFS under authority of a 1993 statute, with Jeld-Wen continuing to play an active and central role. One of the key aspects was the eligibility of unemployment claimants, as well as welfare recipients, which required that the Employment Department join AFS in administering the program.

When the program was launched, Jeld-Wen prepared and sent a mailing to 18,000 Oregon

businesses in the pilot counties, encouraging their participation in the program. The mailing was very successful in eliciting interest from employers — 1,700 inquiries were received — but came so early in the development of the program that staff members were unable to cope with the demand. As a result, hundreds of employers did not receive referrals of potential workers, despite their willingness to accept them.

In July of 1996, the program was expanded statewide. At that time, some requirements were eased to simplify the program for employers and case managers. Although the JOBS Plus program gets much attention, its participants represent only about 7 percent of the overall Oregon JOBS program.

Program Design and Operations

JOBS Plus is intended to assist hard-to-employ individuals move into jobs with training and mentoring support from employers. It is targeted not only to welfare recipients, but to unemployment insurance (UI) claimants, food stamp recipients and non-custodial parents as well.

The subsidy is designed to induce employer participation and compensate them for their training and mentoring investment. The program does not require employers to hire participants permanently. In fact, employers may terminate participants at any time for any reason. This "easy out" approach is part of an overall strategy to directly address employer concerns about bureaucracy and regulation. The program is operated through the 15 AFS districts across the state. In each of these districts, the agency is charged with convening an employer board to oversee the program.

Employers who accept a JOBS Plus worker must sign a one-page agreement stating they accept the terms and conditions of the program. These include requirements to:

- Comply with general employment law, regulations and the employers' own policies as they apply to temporary workers
- Provide appropriate training
- Recruit volunteer mentors from among their employees
- Not displace regular employees nor fill unfilled existing positions
- Allow the state access to records and permit audits
- Pay wages that are not "substantially less" than wages for similar jobs
- After four months on the job, allow a participant who has not been hired into an unsubsidized position eight hours per week of paid time for job search
- After 30 days on the job, contribute $1 per hour to an Individual Educational Account (described in detail below)

In return for this commitment, JOBS Plus provides up to a six-month wage subsidy to employers of $6 per hour, the Oregon minimum wage, for up to 40 hours per week. In addition, the program subsidizes all payroll taxes, Social Security (FICA) taxes and workers compensation costs. It is assumed that these labor burden items amount to 11.7 percent; however, employers may receive reimbursement for high actual costs if documentation is provided. The program limits JOBS Plus workers to no more than 10 percent of an employer's work force, except that any employer may have one placement.

The overall structure of JOBS Plus addresses several elements or processes, including employer recruitment, client selection, job preparation, job match, mentoring, paid job search, Individual

Education Accounts and reimbursement. It is intended that these processes lead to unsubsidized employment, but not necessarily with the JOBS Plus employer.

▸ **Employer Recruitment.** Initially, the program design assumed that the 15 local employer councils would carry out recruitment activities. Low levels of participation by employers made this extremely difficult in some districts. Because the volunteer boards were not able to successfully recruit employers, the program turned to the Oregon Employment Department, which has assigned 18 people to JOBS Plus.

Another significant method of employer recruitment is client job search. Employment Department staff estimate that 40 percent of all employer placements are stimulated by a participant who brings the program to the attention of a prospective employer. This approach contradicts the overall approach of making careful matches between employers and workers. It also makes it difficult, if not impossible, to estimate how many of these employers would have hired the worker without the subsidy.

Employers who decide to participate in the program must sign an agreement with AFS, as described above. The application asks only for basic information about the employer and the job placement being provided, including job title, start date, hourly wage level and mentor's name. It also includes a commitment to carry out the requirements of the program. The entire form can easily be completed in 10 minutes. This simple agreement can be executed by the state in a few days or less.

▸ **Client Selection.** All TANF recipients, food stamp recipients, UI claimants and unemployed non-caretaker parents of children receiving TANF are eligible for JOBS Plus. In practice, however, staff attempt to limit referrals to those who have attempted to find unsubsidized employment without success.

▸ **Job Preparation.** Job readiness problems among JOBS Plus participants, a deep concern of employers, has led AFS to increase the level of preparation activities before making referrals to employers. Initially, the program took a strict work-first approach, with no pre-employment preparation, but that has been modified to include some training and preparation[1]. Although all JOBS participants are still required to conduct a work search before receiving services of any kind, those who do not find work during that period now receive job preparation assistance before being referred to JOBS Plus.

▸ **Job Match.** Employers and workers are matched one-on-one by program staff. The matching process is intended to find compatibility between an employer's needs and the skills or readiness of the worker. In practice, however, this can be difficult. Some employers report receiving referrals of individuals who are clearly not ready or able to do work. Employers are under no obligation to hire a referral, and may dismiss a hire at any time after employment for any reason. Similarly, workers can veto a match or resign from a position after the first two weeks of employment without cause.

▸ **Mentoring.** The requirement for training and mentoring is strongly emphasized in the recruitment of employers. It is expected that employers

[1] Federal law allows states to provide up to six weeks of pre-employment preparation and job search support. This is often used to better position welfare recipients to compete for private-sector jobs through resume development, job club activities and employment readiness training. For some recipients, such preparation may substantially increase their attractiveness to potential employers.

will assist participants in making a successful transition from public assistance to work by helping them to learn not only the job-specific skill needed for a particular position but, also, the broader expectations of employers concerning attitude, attendance, cooperation, appearance and responsibility. The intention is that the mentors impart these values through informal counseling and by example. There is no training or orientation provided to the employer/mentors nor do they receive any parameters to guide their efforts. At this time, no effort is made to document the level of mentoring provided to participants.

▸ **Paid Job Search.** Because employers are not required to commit to retaining a participant after the subsidy period ends, the paid job search is an important feature of the program. Employers know that if they have not decided to hire the individual during the first four months, then their effective subsidy per hour worked will decline. If the individual has made a valuable contribution and if the employer has the capacity to create a new, unsubsidized position, this is the point at which the hiring decision is often made.

▸ **Individual Education Accounts.** The Individual Education Account is intended to provide workers with the opportunity to improve their skills and compete for higher-paying jobs in the future. This explicit commitment to helping individuals strengthen their connection to employment and move up the Workforce Mobility Continuum (See page 67) gives JOBS Plus the potential for long-term impact. The maximum amount of the account is about $850 for a full-time worker who stays with an employer for the entire six-month period. While this amount is modest, it is sufficient to allow workers who are conducting a job search to tell prospective employers that they bring resources with them that can support job-specific training.

The IEA also can be used to purchase education and training for members of the participant's immediate family, a benefit that many find attractive. Unfortunately, the IEA is not well-understood by workers, employers or staff. It is administered by the state Scholarship Commission, which disperses funds as requested by workers.

▸ **Reimbursement.** Employers are reimbursed for the agreed-upon costs — wages, payroll taxes, FICA and unemployment compensation — on a monthly basis. A very simple one-page invoice is submitted by the employer to AFS, which then processes a payment. These payments are typically made within five days of submission of a completed invoice.

▸ **Continued Benefits.** During their JOBS Plus placement, TANF participants may continue to receive support services such as Medicaid, child care assistance and transportation vouchers. They also may receive a wage supplement to make up any difference between the benefits they must forego and the wages they receive from working. Thus, a recipient should never be worse off by working than by receiving public assistance. For UI claimants, support services are not provided. A worker is not required to work more than 40 hours per week, although they may volunteer for unsubsidized overtime if an employer offers the opportunity.

The costs of the JOBS Plus program are paid from the savings to the welfare and unemployment insurance systems. During their participation in JOBS Plus, workers are ineligible for TANF cash payments, food stamps and unemployment insurance benefits, and these savings finance payments to employers. There is no direct tie between the

Table 1:
Composition of New Entrants to JOBS Plus

	Oct. 96	Percent of total	Oct. 97	Percent of total	Percent change
Participants entering JOBS Plus	350	100%	328	100%	-6%
TANF-only entrants	234	67%	180	55%	-23%
UI-only entrants	58	17%	108	33%	86%
Other entrants	58	17%	40	12%	-31%

Note: "Other entrants" includes food stamp, unemployed non-caretaker parent of TANF child and those fitting multiple categories.
Source: JOBS Plus report, Oct. 31, 1997

86 percent. This is consistent with the long-term trend for the client mix.

▸ **Overall Growth.** As Table 2 indicates, JOBS Plus has grown during the past year in terms of job orders and referrals. The increase in job orders is partly a result of the intensive effort of the Employment Department staff and partly a function of the increasingly tight labor market. During this period, referrals to job openings have more than doubled.

Table 2:
Overall Growth in JOBS Plus

	Oct. 96	Oct. 97	Percent change
Job orders from employers	319	432	35%
Individuals referred to openings	616	1,350	119%

▸ **Wages.** For those 1,236 in JOBS Plus work assignments in October 1997, the average hourly wage was $6.45. The wage level has increased 9 percent from the $5.91 level of October 1996. These wages were above the guaranteed minimum wage at that time of $5.50 an hour, suggesting that employers were voluntarily making an average contribution of 90 cents an hour to a worker's wages. It is not possible to separate the wages paid to welfare participants from those paid to UI claimants, but especially for the October 1996 period, most participants were from the welfare rolls.

▸ **Terminations.** For the period of July 1996 through October 1997, 1,625 participants achieved unsubsidized employment, as shown in Table 3. Of these, 849 were with the JOBS Plus employers and 776 were with another employer. It is noteworthy

Table 3:
Terminations From JOBS Plus

	Oct. 96	Percent of total	Oct. 97	Percent of total	Percent change	Cumulative July 96 - Oct. 97	Percent of total
Participants leaving JOBS Plus	165	100%	352	100%	113%	3,519	100%
Hired into unsubsidized job	83	50%	214	61%	158%	1,625	46%
By JOBS Plus employer	31	19%	140	40%	352%	849	24%
By another employer	52	31%	74	21%	42%	776	22%
Other terminations	82	50%	138	39%	68%	1,894	54%

amount of the employer subsidy and amount of welfare. For example, a person receiving $10 per month in food stamps is technically eligible for the full subsidy. This could amount to about $1,000 per month, although the average subsidy is approximately $750. The state suggests that, although the cost of the subsidy exceeds the amount of benefits diverted, that caseload reductions make the program cost-effective over time. There is not, however, a definitive financial analysis addressing this issue.[4]

By all reports, the job order, work site agreement and wage reimbursement forms are exceptionally simple, which has made the program much more attractive to employers than are most public sector initiatives. Each is limited to one page and structured to be understandable to a lay person. The wage reimbursement illustrates this well. An employer need only list the employee's name, hours paid, wage level, unexcused absences and number of days worked, then sign and date the form. No documentation of the information is required; the state takes the employer's word while retaining the right to audit the information. This right has rarely been exercised.

Program Results and Benefits

JOBS Plus has shown a number of different types of benefits for individuals and for the overall work force system. All quantitative data reported here were derived from JOBS Plus monthly reports.

▸ **Scale.** JOBS Plus operates at a fairly small scale, relative to the overall size of the welfare and unemployment insurance systems. The total number of JOBS Plus successes provides a useful illustration. From Nov. 1, 1994 to Sept. 30, 1997, 1,501 individuals found work after their subsidized JOBS Plus experience. By way of comparison to the scale of the regular JOBS program, 1,787 individuals found employment through JOBS during the single month of September 1997. This difference in scale is consistent with the intended purpose of JOBS Plus to serve only those who cannot make a successful transition without subsidized employment.

While it is possible to compare the scale of JOBS and JOBS Plus, no current data is available that separates the job retention of JOBS Plus participants or the rates at which they leave and remain off assistance. While detailed data is kept for the overall JOBS program, it is not compiled or reported separately for this program.

As of Oct. 31, 1997, 1,623 employers were participating in the program. This number includes those who have posted job orders, as well as those with placements. During the past six months, the number of employers has not changed substantially.

The overall size of the program has increased, however, in terms of participants at all stages of the program. At the end of October, there were 1,236 individuals in JOBS Plus work assignments. As Table 1 indicates, this number has increased dramatically over the past year. Most of this growth has been among unemployment insurance claimants.

▸ **New entrants.** During the past year, JOBS Plus has not grown in terms of new entrants per month. The peak month for new entrants was May of 1997, when 448 new participants entered. As shown in Table 1, the mix of new entrants to the program has changed dramatically during the past year. While new TANF-only clients have declined, the number of UI-only clients has increased by

[4] *Oregon's JOBS Plus Program — Trading a Welfare Check for a Paycheck: A report on key implementation considerations for subsidized employment.* U.S. Department of Health and Human Services. Seattle, Wash. December 1996, p. 9.

that the placement rate into unsubsidized employment for TANF and UI participants was identical — 53 percent — during the past complete program year. This statistic is perhaps surprising, since it is typically assumed that welfare recipients are far less prepared for employment than are unemployment insurance beneficiaries.

▸ **Intangible benefits.** In addition to the quantitative benefits, there are other changes as well. The relationship with Jeld-Wen and AFS has changed the political landscape for public assistance in Oregon. Once the agency's harshest critic, Jeld-Wen is now an advocate for AFS funding in the legislative appropriations process. The firm is currently urging legislators not to cut AFS funding because the remaining clients are likely to have significant barriers to work and require intensive support to overcome them successfully.

Staff, employers and workers report that the job experience is very beneficial for the workers. They consistently report that "clients change dramatically" during their time in subsidized jobs. The changes take the form of physical appearance and self-confidence. Some are less depressed and many appear to be more competitive for acquiring a better job. One case manager reported that during the past six months, only one client showed no progress.

Program Issues

The JOBS Plus program is intended as a national model by Jeld-Wen and the American Full Employment Institute. The organization sees the program as one iteration of its Full Employment Program, which it is working actively to implement in as many states — and even nations — as possible. This makes it especially important that program design and implementation issues are identified, understood and addressed effectively. If this takes place, the model can be assessed and adapted in a manner that benefits individuals across the country. The JOBS Plus stake holders have now had nearly four years of experience with this aggressive wage subsidy/mentoring model and have identified a number of issues that merit attention. These include:

▸ **Client Selection.** Clients are referred to JOBS Plus by case managers when they believe that the individual is not likely to find a job without intensive assistance. This is usually based on a client's failure to succeed in a job search, as well as identification of serious employment-readiness deficits. Beyond that, the screening criteria are not explicit and, instead, a great deal of judgment is exercised by the case managers. This result suggests that there may be workers entering into subsidized JOBS Plus work assignments who could have obtained unsubsidized work on their own.

▸ **UI Eligibility For JOBS Plus.** Virtually all the evidence indicates that unemployment insurance claimants are, as a group, "vastly different" from long-term welfare recipients. The UI claimants must have recent work experience to be eligible for benefits. Many are "employer attached," that is, they are on temporary layoffs and will be called back to the same employer soon. However, UI regulations require that recipients be available for work, seek work and not refuse work. The kinds of basic workplace readiness issues faced by welfare recipients are much less likely to be a factor. While the UI population may well need skills upgrades to increase their economic competitiveness, this was not part of the JOBS Plus program intention or design.

This issue is of more than academic interest. As noted in Table 1, the UI side of JOBS Plus is growing fast. This emphasis on UI claimants raises

important policy questions about the purpose of the program and its applicability to welfare recipients. If the program is intended to address the employment barriers faced by those with the least connection to and history of work, then it has drifted from that focus. If it is simply designed to provide any non-working individual with an opportunity to enter subsidized employment, it is moving closer to such an objective.

▸ **Pricing and Cost/Benefit.** There is little data indicating that clients do better in JOBS Plus than in the traditional JOBS program. In a study by Portland State University, it was shown that clients who were randomly placed in the two programs during the demonstration stage fared about the same in securing employment.[5] The study compared employment results of JOBS and JOBS Plus by the last activity in which the participant was engaged before finding a job. As one might expect, "work search" (or looking for a job) is the most frequent precursor to finding one. For JOBS, unsubsidized work was found after work search 66 percent of the time. For JOBS Plus, the rate was 61 percent.[6] Another 5 percent found work directly after subsidized employment, which suggests that they were hired by their JOBS Plus employers. Essentially, they searched for work at their JOBS Plus placement and found it there. Adding this 5 percent to the base of 61 percent could explain the entire difference between the two programs.

More recently, the percentage of JOBS Plus clients finding unsubsidized employment has fallen. Of participants who left JOBS Plus since July, approximately 35 percent secured unsubsidized employment, compared with 53 percent for the previous program year. Clearly, the subsidized employment alone does not appear to be sufficient to allow most participants to reach economic self-sufficiency. It is important to understand that for TANF recipients, JOBS Plus is now dealing with the hardest-to-serve population. Those who can easily attain unsubsidized employment should be doing so before being referred to JOBS Plus.

While the costs for the two paths were reported by the state to be comparable,[7] AFS and Employment Department staff agree that the JOBS Plus costs were understated. For example, the 18 JOBS Plus positions in the Employment Department are not included in the AFS program cost calculations. Also, the analysis included people who found positions on their own.

Overall, it appears that for similar clients, JOBS and JOBS Plus yield similar results, with JOBS Plus apparently costing somewhat more. Whether JOBS Plus is more effective for hard-to-serve clients remains to be demonstrated.

▸ **The Need For Subsidies.** Subsidies are intended to make things happen that would not have occurred otherwise. However, this is at best an inexact process. An illustration may be instructive. A participant reported that, while she was volunteering full time in a nonprofit organization, she was told that she would lose her welfare benefits because she was not engaged in a job search. This policy was to be enforced despite the fact that the employer organization was known to hire from its pool of volunteers. She reports that her case manager told her that she could enroll in JOBS Plus to maintain her eligibility. The employer agreed, and the state paid a full subsidy for the

[5] Corcoran, Kevin; Feyerherm, William H. ; and Rhyne, Charlene. *The JOBS Plus Program: Oregon's Welfare Reform Demonstration Project*, Regional Research Institute for Human Services interim report, Portland State University, Portland, Ore., March 1996, p.59. Results were considered to be preliminary at the time the interim report was released; however, no subsequent analyses were published.

[6] Ibid. p. 51.

[7] Adult & Family Services Division of the Oregon Department of Human Resources and the Employment Department, *Report on the JOBS Plus Pilot Program*, Salem, Ore., Feb. 27, 1996, p.10.

position. The participant was hired and now holds a full-time permanent job, which she believes she would have obtained *without* JOBS Plus.

This case illustrates the broader difficulty of determining which cases really require subsidy. In the current labor market, employers are eager to hire anyone who has a reasonable chance of succeeding. They are doing so with the full understanding that many will require training in even the most basic employment expectations and will have problems adjusting. They are doing so every day with no subsidies. On the other hand, if given the option of a simple, no-strings subsidy, many will accept it.

Is it possible for government to calculate which hires would take place without a subsidy and which would not? This is a simultaneous equation that includes client, employer, job skill and labor market factors, a complex calculation indeed. In the end, such an effort would inevitably be conducted through a much more extensive and expensive employer application process that would likely lead to fewer placements, even when they would be beneficial.

▸ **Level of Subsidy.** It appears that some employers question the depth of the subsidy and what they see as an over-reliance of on-the-job work preparation. They feel that, with more preparation and skill building, most JOBS Plus participants, particularly UI claimants, could gain employment with lower subsidies or none at all. More than one said that a 50-percent subsidy was easily enough to induce participation.

▸ **Job Development.** The intensive efforts of staff in the Employment Department account for approximately 60 percent of subsidized placements. The other 40 percent are found by the participants themselves. This large fraction of placements does not yet appear to be incorporated into the program design and system. Instead, it is accommodated as a welcome but unplanned addition. It may be that a somewhat stronger emphasis on this aspect, along with explicit activities to encourage participants to market JOBS Plus, would result in an even broader pool of participating employers and higher placement rate.

▸ **Retention and Advancement.** Little data is available on the experience of JOBS Plus workers after they have entered unsubsidized employment. Different staff people deal with clients and employers, which means that on-the-job difficulties may not be identified as quickly as would be desirable. Jeld-Wen Corp. emphasizes the need for workers and agency staff to understand advancement "paths," which must be understood to start with basic job readiness. The JOBS Plus program simply gets people past the threshold, but moving beyond is essential to economic independence.

▸ **Serving Working People.** Welfare agencies are not accustomed to serving customers who are engaged in full-time work. As a result, case managers often place demands on clients that are simply not realistic, such as requiring them to attend appointments during work hours. As welfare-to-work expands, agencies will need to change their schedules to accommodate their working clientele.

▸ **Impact of an Economic Downturn.** With many welfare reform efforts, stake holders worry that, in an economic downturn, all progress will be lost. With the deep subsidies of the JOBS Plus program, the opposite may be true. In a recession, employers will be much more conscious of costs and, therefore, find the subsidy economically attractive.

On the other hand, in a weaker economy employers will not be facing the type of intense competition for workers as they do currently. This would tend to make them less receptive to hiring hard-to-employ individuals. The broad targeting of JOBS Plus to make UI claimants eligible will, however, be very important in this circumstance. In a downturn, recently laid-off workers are likely to be much more experienced and capable than those in the UI pool today. JOBS Plus could, therefore, become a vehicle for reducing unemployment time in a weak economy. In this instance, the program would become skewed even more in the direction of UI claimants.

▸ **Displacement.** Another factor in a downturn would be the prohibition from hiring JOBS Plus participants to fill existing jobs. While the program rules are very clear on this point, the program staff essentially takes the word of the employers that the provision is followed. In an economic expansion, this is reasonable because many new jobs are being created. In a downturn, however, employers will be contracting their work forces and taking other steps to control costs. Violations of the "new jobs only" provision could become common.

▸ **Small vs. Large Employers.** The consistent experience with JOBS Plus is that small employers are more attracted to the program. This may be attributed to a combination of several factors. Small employers were reported by a job developer to make a decision to participate on a non-economic basis and that, "They (small business owners) have more heart, they're more caring." According to a representative of Jeld-Wen, large firms tend to be more bureaucratic than the smaller ones. Small firms are able to reach decisions quickly without having to consult with several layers of decisionmakers. Another individual pointed out that larger firms tend, in general, to capture tax credit subsidies because of the sophistication required to manage the process. JOBS Plus, on the other hand, was characterized as being simple enough to avoid placing an undue burden on small firms.

▸ **The Importance of Being Simple.** Whether dealing with large or small employers, a simple program is more attractive than one that is complex. The demands of the one-page forms for the application and invoice are well within the administrative capability of virtually all employers. JOBS Plus has succeeded in demonstrating that the public sector can understand and accommodate the needs of business in designing a program. This was attributable in large part to the deep involvement of Jeld-Wen in crafting the details of the program in close collaboration with the AFS leadership and staff.

▸ **Use of Individual Education Accounts.** While the concept of IEAs is attractive to participants, their use has been limited because the administrative paperwork is perceived to be cumbersome. As of September 1997, 1,053 participants were estimated to be eligible to claim the IEA. Of those, 394, or 37 percent, had done so. In dollar terms, $251,296 had been transferred to the state Scholarship Commission, and only $15,030, or 6 percent, had been disbursed.

Program's Role in Work Force Development System

JOBS Plus is well-integrated into the welfare-to-work system. After the demonstration phase, the program was integrated with the regular JOBS program. There is some co-enrollment and coordination with the JTPA Title IIA program, which,

for some individuals, can provide even deeper subsidies, broader support services and increased access to training funds.

The JOBS Plus program serves only about 7 percent of the overall JOBS population. Many JOBS applicants find unsubsidized employment before being accepted into the program. Many others receive job training and work preparation assistance and then find a job. At least in theory, JOBS Plus should serve the residual population and, by and large, this appears to be the case. It is not possible, based on available data, to determine with precision what fraction of JOBS Plus participants who eventually found unsubsidized employment could have done so without a JOBS Plus placement.

It is somewhat troubling that JOBS Plus appears to be having less success in yielding unsubsidized employment outcomes than it did in earlier years. This may well be related to the increasingly difficult cases left in the welfare population, a supposition supported by the concerns expressed by some employers about the lack of job readiness of some JOBS Plus participants. If so, it suggests that, philosophical perspectives aside, "work first"-type programs may not be feasible for many in the residual welfare population. Neither the new workers nor the employers may be able to cope with the consequences of such an approach.

Although JOBS Plus appears well-integrated into Oregon's overall welfare-to-work efforts, it is not clear how well it is connected to Oregon's touted integrated work force development system. Oregon's system seeks to integrate the work force development activities of various initiatives such as welfare reform, job training, one-stop career centers, school-to-work and economic development. The employer recruitment efforts under JOBS Plus illustrate one aspect of the effort that does not appear to be highly linked to the work force development system. In its quest to find a sufficient number of employers, JOBS Plus has developed its own staff capacity rather than recruit employers through existing mechanisms such as the Regional Workforce Quality Committees or business and industry associations. Another possible vehicle for "group recruitment" might be the well-regarded Oregon Key Industries program. This economic development initiative — which engages many employers in the software, wood products and other industries — appears, however, to be completely disconnected from JOBS Plus. The commitment to one-on-one recruitment reflects the separate nature of the effort.

Future Potential For Wage-Subsidized Welfare-to-Work Initiatives

Business subsidies are a popular device for attempting to induce the private sector to address and achieve public purposes. Whether in economic development, housing or welfare-to-work, subsidies provide a vehicle through which a modest incentive can, at least in theory, gain enormous leverage on direct public spending. Past research, however, has failed to show demonstrable benefits emanating from employment subsidies.[5]

JOBS Plus presents an approach to subsidies that in essence encourages private businesses to serve as a "testing ground" for potential employees with no obligations to hire participants. This approach, with its very deep subsidies (virtually no costs to an employer), is conceptually promising, particularly when targeted to hard-to-serve populations. The execution of this concept in Oregon, however, has not allowed for the basic

[5] Bassi, Laurie J. "Stimulating Employment and Increasing Opportunity for the Current Work Force," in *The Work Alternative*, The Urban Institute Press, Washington, D.C., 1994, p. 144.

testing of this theory, as the initiative has not solely targeted the hard-to-serve. Thus, it is difficult to discern the direct value of the incentive.

Despite the overall concern as to whether JOBS Plus benefits the hard-to-serve, the effort has illustrated some advantages that can be derived from employer-based subsidies. These include:

▸ **A means for generating a political consensus with business.** In an era characterized by bitter national conflict about how government should address poverty, the tenor of the discussion in Oregon has calmed considerably. The willingness of AFS to experiment with employment subsidies made the remarkable partnership between Jeld-Wen and AFS possible. Neither side began the dialogue thinking of employment subsidies as a means to this end, but the strategy did serve as a point from which common philosophical ground could be found. Once this occurred, it led to relatively broad business support for Oregon's welfare strategy. The evolution from a bitterly adversarial relationship to one of mutual trust and respect proves that the public and private sectors can learn from one another. When they do forge such an effective collaboration, they together represent a formidable political force.

▸ **An indication that subsidized employment may be a helpful step toward self-sufficiency.** As welfare agencies across the nation attempt to stimulate long-term, full-time employment, JOBS Plus may be seen as a step toward that. By limiting placements to only six months, employers are truly in the position of providing training sites. In contrast with the JTPA/OJT subsidy, permanent employment is optional. While this provides much more flexibility for employers, it means that the placement may be only one of many steps that a welfare recipient will take in gaining economic independence.

▸ **Proof that a subsidy program can be simple.** At all stages, JOBS Plus maintains a commitment to simplicity that employers find to be very functional. The one-page forms for applying and invoicing work well for even the smallest of businesses. This makes JOBS Plus an "easier sell" than some other subsidy programs, such as the JTPA/OJT program, which are much more cumbersome.

▸ **Evidence that staff can be energized through creative new initiatives.** The JOBS Plus staff who work with businesses and participants are excited about being part of something new and important. While they would acknowledge that JOBS Plus is a "work-in-progress," they also appear strongly committed to making it successful. This is an asset of great value to any public-sector initiative.

▸ **The use of data systems that allow for effective program assessment.** While questions can be raised about the effectiveness of JOBS Plus, it is the sophisticated system for data collection, analysis and reporting that allows these questions to be answered. AFS not only put the system in place, it remains firmly committed to maintaining it. For those who consider subsidy programs or other approaches to welfare-to-work, investing in such a system can help sort out policy options and improve results.

▸ **Recognition of the value of continuing education.** The inclusion of the Individual Education Account in JOBS Plus represents a significant step in acknowledging the need for and value of continuing education and career

advancement. Although JOBS Plus has yet to execute this element of the program well, it offers potential use for the future.

JOBS Plus also illustrates some important challenges that face wage subsidy programs. These include pricing, targeting and job preparation, all of which are issues very much on the minds of policymakers and program managers in Oregon.

The problem of *pricing*, or how to calculate costs and benefits, is one that requires careful attention. While the appropriate price for inducing a private sector hiring decision is a legitimate topic for debate, failure to determine costs or benefits can yield policy confusion. The level of the subsidy is, essentially, the price at which an employer is willing to "sell" a hiring decision. How high must that price be in order to make the deal? The Oregon JOBS Plus program provides no data because the price was not based on market research. Instead, it was pegged to the minimum wage in Oregon. Thus, it cannot be determined whether, had the price been set lower, the same results would have ensued. As noted earlier, employers have already demonstrated a willingness to contribute to wages, as the average salary is 95 cents above minimum wage.

On one hand, the issue of targeting a program only for the poor has never been good politics. On the other hand, the jobs-for-all philosophy of JOBS Plus has been quite popular in Oregon thus far. The Jeld-Wen philosophy would, if fully implemented, go much further. It would do away with all eligibility rules and would simply provide jobs for everyone, with whatever subsidy might be required to make that work. Such a massive shift in policy is a tremendous undertaking. Even with the current political consensus around JOBS Plus, the program may be on the edge of generating some backlash based on its broad targeting, particularly if it continues to serve a smaller percentage of welfare recipients. The program's small scale may have insulated it from that result so far. Including unemployment insurance claimants as well as welfare recipients has set the stage for what could become a major confrontation over work force policy. Can JOBS Plus go further along the same philosophical path? The answer is not at all clear. As other states consider subsidy programs, the issues of targeting, eligibility and breadth will raise important questions. Oregon may be a harbinger of how these political and policy debates will evolve.

After only a short time, JOBS Plus already has found that job preparation and job readiness are critically important to employers, even in a subsidy program. In recognition of that, JOBS Plus has shifted from relying entirely on employers for preparation and training to a system that includes pre-employment job preparation. Even in the context of a highly subsidized, training-oriented placement, employers are not willing to deal with individuals who do not possess the basic attitudes necessary in the workplace. The cost to employers of hiring an individual who does not show up regularly or behaves inappropriately is so high that no amount of subsidy can offset it. The JOBS Plus staff understands that as the mix of welfare cases becomes more difficult, this challenge may grow. In fact, this may explain the decline in placements among JOBS Plus welfare participants.

Overall, the record on the impact of JOBS Plus is not yet clear. Staff, participants and employers alike are highly satisfied with the program, but satisfaction is not equivalent to impact. To show that such a program is worth the public investment, a state must demonstrate not merely that it works for some, but that it works better than the alternatives. For this reason, those who choose to utilize subsidy programs to attract

businesses to welfare-to-work programs will want to build on the type of data collection that Oregon has put into place.

For states that adopt such an approach, the difficulty of overcoming the challenges and demonstrating the value of the advantages should not be underestimated. With the other incentives in the federal system, such as the Work Opportunity Tax Credit, low-income people in general and welfare recipients in particular already offer financial advantages to employers. While these are not nearly as simple as the JOBS Plus approach, they are already in place and do not require investment of state resources. An intensive effort to market these incentives might have a substantial impact. On the other hand, the level of the subsidy would not be as deep, nor the eligibility as broad, as in JOBS Plus. These are the types of trade-offs that states need to consider in determining what, if any, subsidy should be part of their welfare-to-work strategy.

Public/Private Partnership-Supported Welfare-To-Work Initiatives

Private citizens and business owners are being asked to play a variety of roles in the welfare-to-work movement. Most attention has focused on how private employers can be persuaded and/or assisted to hire welfare recipients. In a limited number of places, however, efforts have been taken to use private citizens and business owners to advise and direct both the development and implementation of welfare-to-work policies and practices.

The involvement of private citizens and business owners in public activities is typically referred to as public/private partnerships. The most well-known examples of these partnerships emanate from the efforts to physically redevelop urban America in the 1970s and 1980s. These efforts engaged the private sector in an activity they understood, and resulted in tangible outcomes within a defined period of time. More recent efforts at public/private partnerships have asked private citizens and business owners to advise and assist in addressing a variety of complex social issues in the areas of education, social service and work force development. These efforts have placed new demands and challenges on effective private-sector participation.

Private-sector participation in welfare-related activities is a new but rapidly growing phenomena. In many places, private-sector participation — specifically private employers — are solicited in an effort to recruit work positions for welfare recipients. Other places are developing public/private partnerships to advise program efforts. Indiana and Tennessee are two states that have created local public/private advisory boards to guide welfare-to-work activities. Florida has gone a step further, relying on private-sector dominated local Work and Gain Economic Self-Sufficiency (WAGES) boards to plan and coordinate the delivery of program services at the local level.

Perhaps the most developed effort is found in Kansas City, Mo., where the Local Investment Commission (LINC) has evolved during the last four years to become the primary entity directing welfare reform. Predominately made up of local citizens, business owners and community representatives, LINC operates from the idea that the culture of private citizen participation — characterized as mission-driven and results-oriented — is essential for success. Importantly, LINC is not considered an advisory board, but a governing body with responsibility for ensuring that local welfare residents effectively make the transition from public assistance to sustainable employment and economic self-sufficiency. As the following profile illustrates, LINC believes that welfare-to-work can be achieved only by assuring that the processes for delivering services and investing resources are responsive to the needs and opportunities of local communities. To this end, LINC focuses its efforts toward strengthening and building the local capacity required to achieve its welfare-to-work objectives.

Profile: Local Investment Commission (LINC), Kansas City, Mo.

LINC is a citizen-directed state agency charged with the responsibility for improving the delivery of human services in Jackson County, Mo.[1] It started in 1992 at the instigation of the Missouri Department of Social Services (DSS) and is closely associated

[1] Almost 50 percent of Jackson County is Kansas City. The population for the county was 633,000 in 1990.

with a statewide effort called Caring Communities.[1] LINC is a comprehensive human services initiative and its responsibilities encompass a wide range of issues, such as Medicaid, foster care and early childhood development, and school-based human services. It also is responsible for welfare reform.

The commission is made up of 36 members and is supported by a professional staff of 12, several of which come to LINC from state agencies. Its operating budget for 1998 is $5 million. LINC receives financial support from the state (85 percent), local and national foundations, private businesses and other public sources.

LINC's experience in welfare reform goes back to at least 1994, when it became involved in administering a grant diversion program under an AFDC waiver and assumed responsibility for overseeing the local activities of Missouri's FUTURES (JOBS) program. At that time, LINC formalized the LINCWorks Council, a body charged with responsibility for guiding local welfare-to-work activities. Over the years, the LINCWorks Council's role in welfare reform has evolved and become more influential in determining the overall direction of welfare reform in Jackson County. In that regard, the LINCWorks Council and LINC staff work closely with the county office of the state Division of Family Services-Income Maintenance, as well as key local providers engaged in welfare-to-work activities.

Program Design and Operations

LINC is not intended or structured to operate as a program. Instead, it is designed to influence the processes and programs that are deployed to achieve human resource objectives throughout the county. Systems reform is an explicit objective of the commission. It is acknowledged that human resource goals will not be achieved unless significant modifications are made in the processes for investing resources and delivering services.

LINC's mission is "to provide leadership and influence to engage the Kansas City community in creating the best system to support and strengthen children, families and individuals, holding that system accountable and changing public attitudes toward the system." To that end, LINC, according to its chairman, has three primary objectives: 1) ensuring the financial integrity and accountability of program investments (LINC sees itself as the custodian of the public/community resources committed to human service development in Jackson County); 2) communicating and advocating for solutions; and 3) evaluating activities and data for results.

As noted earlier, the mission of LINC is to ensure that local welfare residents effectively make the transition from public assistance to sustainable employment and economic self-sufficiency. The council seeks to achieve this by encouraging the local welfare-to-work system to change from an eligibility to an employment system. In carrying out its responsibilities for welfare reform in Jackson County, LINC undertakes the following basic functions:

- **Planning and Program Development.** LINC plays a prominent role in researching and advocating for the best policies, strategies and methods to achieve its welfare-to-work goals. It does this in accordance with a core philosophy that its primary mission is to get people to work in ways that lead to sustainable employment and economic self-sufficiency. LINC communicates its ideas and proposals through different forums, such as its

[1] Caring Communities is a state collaboration that combines the interests and resources of several state agencies (Social Services, Mental Health, Elementary and Secondary Education, Labor and Industrial Relations, Corrections and Economic Development) in an effort to empower local communities to address social and economic issues in the context of their own needs and opportunities.

recent development of a working document proposing specific actions for developing an integrated welfare-to-work system in Jackson County. It also developed the criteria and guidelines governing the efforts of service providers to conduct welfare-to-work activities. This planning and development function is conducted with internal staff as well as outside consultants. For example, LINC has retained a welfare-to-work expert of the Manpower Demonstration Research Corp. (MDRC) to assist in identifying effective welfare-to-work policies.

▸ **Capacity Building.** LINC takes a proactive role in addressing the resource and capacity needs of the local welfare-to-work system by aggressively seeking additional state dollars and outside funding to support such needs. Such efforts include training for local welfare-to-work staff and the development of a management information and client tracking system. Although LINC was created by the state, it has established itself as a separate, nonprofit entity eligible to receive funding from a variety of sources.

▸ **Advocacy and Coordination.** LINC commissioners and LINCWorks Council members are strong advocates for ensuring that the local welfare-to-work system achieves its goals. To that end, members use their expertise and powers of influence to address barriers to improvement and, in particular, to secure needed operational and system changes within the state bureaucracy and among local providers. It is important to note that the private citizens participating in LINC are considered to be among the leading citizens and business people of Jackson County, thus they have considerable access to and influence over the political process on behalf of the Jackson County community.

▸ **Contract Negotiation.** As part of its effort to develop criteria and guidelines for service provider activities, LINC takes an active role in negotiating service contracts with local provider organizations. This past year LINC was successful in implementing performance-based contracts that conditioned contract payments on the successful execution of performance milestones, such as the retention of placements in work for 90 days.

▸ **Information Systems Development.** LINC has assumed a primary role in developing and operating a meaningful management information system for welfare activities in Jackson County. The principal focus of the system is to identify and track the activities of welfare recipients, including the establishment of a longitudinal data base. The effort essentially reprograms the state DSS system in ways that provide more timely and useable data on participant results in Jackson County. Although the system will be developed on an ongoing basis, it is now used to identify candidates for participation in welfare-to-work activities and to track placement outcomes.

▸ **Research and Evaluation.** LINC takes its research and evaluation responsibilities seriously and approaches them from the perspective of continuous quality improvement. Staff and members generally acknowledge that there is no set formula for success, and that strategies and techniques have to be refined over time to adjust to local needs and circumstances. The organization relies on surveys, focus groups and data analyses to understand how efforts are progressing. Of particular note are LINC efforts to track the placement outcomes of participants. Because of the interest in sustainable employment, concerted efforts have been made to obtain job retention data. The findings have shown that retention rates

need improving. This has led to modifications in welfare-to-work strategies and practices. It is important to note that LINC's ability to confront this issue with meaningful data has helped focus national attention on the issue of retention.

▸ **Waiver Administration.** As noted earlier, LINC's only involvement in welfare-to-work operations is through administration of the AFDC waiver for grant diversion.[3] In this instance, LINC staff work directly with businesses to secure and facilitate their participation in the grant diversion program. Although LINC does not handle the checks for the grant diversion, it does serve as a conduit for the paperwork associated with the program.

These are the essential functions associated with LINC's efforts to ensure positive welfare-to-work outcomes in Jackson County. Another way to characterize the governing process is by the various roles LINC assumes in working with the local welfare-to-work system. In this respect, LINC is acknowledged for the roles it plays as a local *convener* for partners engaged in service delivery; as a *mediator* between local providers (including the county DSS office) and the state; as a *policy innovator* in pushing for more effective strategies and practices; as a *forum* for addressing the multiplicity of issues associated with economic self-sufficiency (e.g., transportation and child care); and as a *communicator* in bringing attention to the challenges inherent in redirecting the current system to the benefit of local communities and residents.

Overall, LINC is structured to impact on the current processes for delivering welfare-to-work services in Jackson County. Through its multiplicity of activities and roles, LINC is well-prepared to hold the local system accountable for its performance and to openly critique its own abilities to effectively guide and direct the local welfare-to-work movement.

Program Results and Benefits

LINC has been very aggressive in generating data about the performance of local welfare-to-work activities and sharing the data publicly. In fact, several national newspapers have published welfare-to-work stories on Kansas City and, in doing so, have used LINC-produced data to illustrate issues associated with moving recipients from dependency to work.[4]

From January of 1995 through August 1997 (LINC updates its data on a weekly basis), Jackson County's adult TANF caseload decreased from 11,797 to 7,938, a drop of almost one-third. During this period, the LINC-guided local welfare-to-work system collectively placed 2,089 persons into employment consisting of at least five days, and 32-plus hours of work per person. The average wage at placement was $6.44 an hour. Among those placements, 1,342, or 64 percent, remain employed as of September 30, 1997. Impressively, 61 percent have been employed for more than 90 days, and 31 percent for at least six months.

An important subset of the placements made within Jackson County is those individuals who obtained employment through the grant diversion subsidy program. Typically, these individuals are considered hard-to-serve; therefore businesses are provided an incentive to encourage them to hire these recipients. From January 1995 through August 1997, the welfare-to-work system, under the auspices of LINC, placed 799 recipients into grant

[3] The grant diversion program directs a recipient's TANF cash assistance and food stamp benefits to an employer in exchange for full-time work in a newly created job. The diversion can last up to four years for participants residing in areas meeting certain distress criteria. In addition, medical care and child care are available throughout the diversion period.

[4] See: *New York Times* (Sept. 1, 1996), *USA Today* (March 12, 1997) and *Wall Street Journal* (Sept. 2, 1997).

diversion-supported positions. The average wage at placement was $6.13 an hour. Through that period a total of 293 remained employed (longer than 90 days), for a retention rate of 37 percent. This is substantially lower than the overall retention rate reported above of 64 percent and, in fact, when the overall rate is adjusted to consider only those placements without the grant diversion subsidy, it increases to 81 percent.

LINC members and staff are quick to acknowledge that the 37-percent retention rate for grant diversion recipients is not acceptable, and that efforts are being taken to address this issue. It is important to note that LINC is one of the few organizations in the country that produces reliable and meaningful data of this sort on a real-time basis (i.e., not relying on after-the-fact evaluations) and uses it to modify strategic policies and actions. As noted earlier, by sharing this information publicly (particularly with national news organizations), LINC has played an important role in drawing national attention to the issue of job retention.

Although results are defined by placement and retention outcomes, LINC members are firmly convinced that acceptable standards of performance will be achieved only through significant changes in the overall local welfare-to-work system. Thus, an interim measure of LINC performance is the extent to which LINC has effectively modified the local processes and activities for welfare-to-work. In this regard, LINC appears to have contributed to the following changes:

- Altered the recipient recruitment and orientation process to more effectively identify those clients who are job ready
- Expanded job matching efforts to include consideration of transportation and child care issues so that these needs are addressed before (rather than after) placement
- Incorporated performance contracting into the service agreements negotiated with local providers
- Developed a useable tracking and monitoring data system
- Emphasized the need for and raised funds to support training among staff in the state/county DSS system, particularly as it applies to preparing welfare workers to switch from a system focused on income eligibility to employment

System changes of this nature are considered important building blocks for improving the outcomes reported above.

Program Issues

The efforts of LINC and the LINCWorks Council are evolving. LINC, however, represents one of the nation's most advanced public/private partnerships focused on welfare-to-work. Given this experience, LINC members and staff have identified and considered a number of important issues that affect their ability to effectively move welfare recipients into sustainable employment and economic self-sufficiency. These include:

- **Recipient Selection.** As noted above, LINC has taken action to improve the processes by which applicants are identified and selected to participate in welfare-to-work efforts. An important motivation for this has been the poor retention results among grant diversion participants. LINC members and staff firmly believe that long-term results can be improved if recipients are effectively directed to the most appropriate pre-employment/training or placement intervention at the outset. Improving the recipient selection process requires getting reliable information on the experiences and skills of recipients, in addition to training welfare-

to-work staff in skills for making employability assessments rather than determining income eligibility.

▸ **Hard-to-Serve.** Once again, the retention data has resulted in LINC members and staff recognizing the need to more fully consider how to effectively employ the hard-to-serve population. Recent analyses of the current caseload suggest that a majority of recipients are not good candidates to participate in work first-oriented activities because they have little work experience and very low education levels. LINC is now considering various ways to address this issue, such as combining community work experience with education and training activities. How it will more fully address this issue has not been determined.

▸ **Wages.** The Kansas City metropolitan area has experienced tremendous economic growth in recent years, and the unemployment rate has consistently been at 3.5 percent. This has provided the welfare-to-work system with access to a wide variety of jobs and the ability to target positions offering higher than minimum wage. Although such jobs are available, an important factor is the ability to find recipients with sufficient skills and education levels to fill the positions. LINC does require that all wage subsidy positions start at a minimum of $6 an hour since the grant diversion is valued at more than $3 an hour of the wage. It also tries to select positions that have potential for wage increases. In fact, LINC collects data on wage rate increases.

▸ **Subsidies.** The grant diversion/wage subsidy program administered by LINC has not proved to be an essential asset to the welfare-to-work effort. It is just one tool among many for engaging employers. As noted earlier, retention rates among subsidy participants are far lower than for other recipients. It should be noted, however, that 64 of the 293 wage supplement people still working are now in non-subsidized jobs. Eleven months is the average stay in a subsidized job. Conceivably, the subsidy offers an upfront way to compensate employers for hiring recipients who are not prepared to fully meet the responsibilities of a job paying higher than minimum wage. Many employers, however, are often less interested in the subsidy than they are an employee who can fully contribute to the needed work. In addition, while the availability of the subsidy has helped draw attention to the overall welfare-to-work effort; such attention is no longer needed in the Kansas City area, as employers are looking everywhere for workers.

There are some employers who value the subsidy. At least one small firm reported that the subsidy does make an important difference in the overall payroll of smaller firms, enabling them in some instances to be more competitive. It was also determined that smaller firms tend to find the subsidy paperwork less onerous than do the large firms. One explanation may be that small firms' accounting systems are less cumbersome and more adaptable than the accounting systems of larger firms.

▸ **Extended Support for Subsidized Jobs.** As noted earlier, the grant diversion program can last as long as four years for placements associated with targeted areas. This also includes medical and child care assistance, which can be of great monetary value for employees and employers. Incentives are intended to facilitate the employment of the hard-to-serve and participants with large families, particularly given that they are likely to receive less viable wages than other

workers. It is not clear how this aspect of the subsidy program has influenced actions of either businesses or participants. LINC is conducting a study to try and measure the value of these benefits.

▸ **Work Experience/Customized Training.** Until recently, most local welfare-to-work activities focused on direct job placement with a minimal level of pre-employment preparation. New efforts are now under way to expand preparation and placement options. Several of the new efforts are designed to prepare recipients to obtain work within occupational areas that have large demands for workers. For example, a 16-week human services training program will offer three days of class and two days of work at the Department of Mental Health. Employment is guaranteed for welfare participants successfully completing the program. A similar program will be available in telecommunications. By increasing the level of pre-employment preparation, LINC hopes to improve job retention outcomes.

▸ **Job Development.** LINC members acknowledge that improvement in performance will occur if they can effectively eliminate the fragmentation and duplication found in the old system. Significant efforts have been made to concentrate and consolidate efforts around key functions such as job development. In this instance, LINC identified those job development providers with the best track record and agreed to continue to fund their efforts as long as they were delivering effective services. By doing this, LINC signaled that it was willing to take bold steps to bring a rational approach to service delivery.

▸ **Support Services.** In recognizing the importance of support services to job retention, LINC has modified local job matching activities to consider transportation and child care issues upfront. Job placement specialists no longer place recipients solely on the basis of their experience and skill match with an available position. Instead, every potential match is examined to determine if reasonable transportation is available and whether child care needs can be satisfied. If the commute proves to be too long or the available work times do not correspond to available child care options, the placement is not made.

▸ **Performance Contracting.** As noted earlier, one of the systems changes instigated by LINC is the switch to performance-based contracting for local providers delivering welfare-to-work services. Some suggest that the system has always been performance-based, since future contracts were dependent upon the success of previous years. The difference now, however, is that certain elements or milestones of service delivery (i.e., placement and retention) are subject to incentive payments based on performance. Providers, therefore, are fully reimbursed if they achieve all of their milestones per participant. This presumably provides a strong incentive to achieve all milestones, since providers rely on the funds to maintain their operations. How effective this will be remains to be seen. Given that there are no standards of performance (e.g., a provider should achieve an 80-percent placement and 50-percent retention rate), providers may be able to support their operations with other funds. This would diminish the importance of each payment for every milestone per participant, particularly given that the percentage payment for retention is a small percent (11 percent) of the overall payment per participant.

▸ **Retention.** This issue has received considerable local attention and, as noted earlier, LINC's focus has helped draw national attention to the matter. While efforts are still under way to refine the methodologies for tracking participants and to develop additional retention strategies, to date LINC has taken the following steps: 1) improve the applicant selection process to better tailor intervention services to the needs of recipients; 2) modify job matching activities to consider support service needs; 3) develop customized job training programs; and 4) train DSS staff to become employability specialists rather than income maintenance workers. Discussions are under way, at the instigation of Sprint, to formalize a supervisor training program for businesses hiring welfare recipients in an effort to enlist their support in helping newly placed workers adjust to the demands of the workplace.

▸ **Economic Self-Sufficiency.** One of the major goals of LINC is to ensure that recipients achieve economic self-sufficiency. To date, such efforts appear focused almost exclusively on obtaining jobs above the minimum wage and on job retention issues. LINC has yet to formalize strategies to promote career development for recipients once they are employed.

▸ **Community Change.** LINC's involvement in welfare reform is only part of its overall mission to improve the delivery of human services in Jackson County. Within this context, LINC has the opportunity to integrate its welfare-to-work activities into a more comprehensive strategy designed to address a variety of interrelated needs at the neighborhood level. This is an issue currently being examined by the commission and staff. How LINC goes about this should provide important lessons for others around the country.

▸ **Systems Change.** LINC is very clear in articulating its mission to bring systems change to the delivery of human resources in Jackson County. LINCWorks council members, however, are careful to distinguish that while they firmly believe that change is essential to accomplishing their objectives, they believe it important to focus attention on the primary mission of getting welfare recipients into sustainable employment. Members persuasively argue that too often, reform movements become ends in themselves and lose sight of the ultimate goal of improving the lives of people and communities.

Program's Role in Work Force Development System

LINC's role in the local welfare-to-work system is unambiguous: To guide and govern the processes for assisting welfare recipients to obtain sustainable employment and economic self-sufficiency. LINC is now accepted by state and local DSS staff and local providers as the legitimate and credible body responsible for fulfilling this role. As will be discussed later, reaching this point of acceptance did not come easily or quickly.

To reach this position, LINC has made some fundamental changes in the ways that it has approached its mission over the past five years. Most basic has been developing an understanding that welfare-to-work is part of an overall employment system and not just a program. This means that LINC recognizes the value and interrelationships of various provider activities, and works to see that all are used within an integrated employment system. For example, the state DSS office, with the assistance of LINC, is largely responsible for recruitment, while other organizations have responsibilities for pre-employment preparation, placement and retention. This helps create a constructive tension within the

system in which overall performance is influenced by the actions of each organization. This introduces internal competition and pressures within the system for performance improvements.

It also means maintaining system flexibility in dealing with LINC customers, both employers and recipients. The system must be both broad and deep to accommodate their different needs and interests. Just as recipients may need different levels of education and job preparation before going to work, employers have different interests in subsidies, as well as varying time periods for hiring new workers. The system must be flexible enough to respond. Finally, it means acknowledging that successful outcomes are not measured by placements, but by the successful long-term employment of recipients. The system must be firmly directed at achieving this outcome and have the capacity to measure and analyze results on an ongoing basis.

Evolving to this point was not automatic, nor was it without challenges. In fact, LINC's progression into this role provides important lessons for using public/private partnerships to modify or substantially change existing governmental institutions and systems. Such lessons include:

▸ **Assert and Clarify Authority**. Similar to many public/private bodies across the country, LINC's charter provided for the commission to assume responsibility and authority for the local welfare-to-work system without defining what that meant. LINC's private-sector members recognize that to improve the performance of the local system, LINC has to act as a governing body with the ability to direct and influence actions. As such, private-sector members never shy away from challenging the existing power structure to promote policies that the commission believes are in the best interest of the local community. When necessary, commission members use their personal abilities to access the governor in order to resolve any questions of their local authority. It is important to note that clarity on this issue was achieved only as a result of local, not state, action.

▸ **Insist on and Invest in Staff Capacity.** Members of the commission and LINCWorks Council acknowledge that staff support is critical to their ability to effectively consider the array of complex issues inherent in welfare reform. They have worked hard to make sure that the state adequately supports their staff needs either through administrative funding or loaned executives. Additional state funds were instrumental in developing the management information system. They also have successfully accessed outside funds (e.g., foundations) to build and enhance organizational and staff capacity. For example, the Kaufman Foundation is providing substantial support to develop a broader data and evaluation effort, which will include hiring a research analyst, expanding the management information system and building the electronic connections between partner organizations, particularly those in the welfare-to-work movement.

▸ **Question and Challenge the Status Quo.** To improve the performance of current services, LINC members and staff have to feel comfortable asking hard questions and challenging long-standing provider practices when necessary. Although this requires gaining knowledge of welfare-to-work activities, importantly, it also requires that council members accept and embrace their responsibility for achieving acceptable results. As one commissioner noted, "It means living with the turmoil that is inherent in questioning or disrupting institutional settings." It also means being willing to take the risk that

new ways of doing business will be better than past practices.

▸ **Support Important Local Assets.** Related to challenging the status quo is the ability to effectively assess local activities and determine the individual merits of provider activities while maintaining an open mind about their potential role in a reformed system. LINC members perceived no inherent advantage in "cleansing the system" and starting again with new providers as a principle of organizational change. In fact, after recognizing the value of several important local providers, LINC effectively stopped a state initiative to privatize the local system using outside groups.

▸ **Do Not Assume Operational Responsibilities.** One of LINC's first organizational responsibilities was to administer the grant diversion waiver. Since that time, the organization is careful not to assume other major operational responsibilities for two reasons.[5] First it wants to establish credibility as a governing body influencing policy. This is a significant enough task in itself. Second, it does not want to be perceived as a competitor in the local provider system. Instead, LINC is intent on establishing its position as an objective monitor of performance. Eventually, LINC hopes to turn over responsibility for the waiver to another group within the local system.

▸ **Maintain Organizational Self-restraint.** Providing leadership and guidance is a challenging task, particularly in an environment undergoing significant change around the authorities and responsibilities of a new public/private partnership. LINC leadership believes that one reason it effectively established its role is its deliberate effort to guide and influence policy, rather than to declare and dictate. Integral to this approach was the willingness to work with local providers and others through a collaborative process rather than an autocratic one.

▸ **Focus on Results.** Adding another entity to the public policy process is always fraught with the danger of adding another layer of bureaucracy. To avoid this, and to clearly separate LINC from others in the system, LINC understands that it must become the custodian for results and accountability. As noted earlier, LINC has developed significant capacity to monitor and analyze results. This role, heretofore largely unfulfilled across the system, gives meaning to LINC's existence and legitimizes its position of representing the interest of citizens and communities across Jackson County.

Despite LINC's progress in establishing its legitimacy, challenges remain. As LINC moves forward in solidifying its efforts within an employment system, questions arise about the scope and definitions of such a system and LINC's role in that system. To date, the system as defined by LINC primarily revolves around the issue of employment for welfare recipients. Hiring welfare recipients, however, is only one element of the overall issue of work force development confronting employers in the Kansas City area, and it is a minor one at that. Similarly, work force development as advocated through government policies encompasses a much broader array of activities than welfare-to-work, such as re-employing dislocated workers, upgrading the skills of current workers and

[5] LINC does use its enhanced management information system capabilities to identify candidates for referral into welfare-to-work activities. It does this in support of the front-line workers in the state DSS office.

[6] The Full Employment Council (FEC) is a key partner/provider in the local welfare-to-work system. FEC also is the lead organization responsible for a number of other work force development issues, as it serves as the local Private Industry Council and the work force development entity for the area's Chamber of Commerce.

advancing the transitions from school to work.[7] Employers who participate in these initiatives do not distinguish issues of work force development by program-defined clients, nor do they easily relate to the variety of organizations responsible for an element of work force development. As such, as LINC develops a higher profile among businesses for its work in welfare reform, it has to be clear about its role and abilities to interact with businesses and other providers on the broader issues of work force development.

Another challenge as LINC moves forward will be articulating a road map of where it wants to go and how it proposes to get there. To date, this has not happened with welfare-to-work, as change has come rapidly, thus forcing everyone into a reactive mode of operations. Seeking to integrate welfare-to-work activities into a more integrated and comprehensive approach to community revitalization will likely require members and staff to be more proactive in their development of proposed plans, policies and programs. It will also require greater involvement and ties with local constituencies, a process that may challenge LINC's position as a state-sponsored and primarily state-supported organization.

Future Potential For Public/Private Partnership-Supported Welfare-to-Work Initiatives

The use of public/private partnerships in welfare reform and other areas of complex social issues such as education; children and family services; and work force development are a growing phenomena. While experience has demonstrated that such partnerships can be effective in downtown development projects, success is less clear in other areas.

An important consideration is the intended use of such partnerships. LINC is clearly an example of an effort to vest governing authority in a new public/private body as opposed to efforts that assign such groups responsibility for operational matters. The LINC experience demonstrates that the perceived conceptual benefits of private citizen and business owner involvement can be realized. In particular, LINC's private-sector participants bring a number of advantages to improving the processes and activities of the local welfare-to-work system. These include:

▸ **Means to focus attention on a defined mission.** LINC's private-sector members devote their time and attention to the organization for only one reason: to obtain sustainable employment for welfare recipients. Council members are very good about keeping staff and providers targeted to that objective and are not easily distracted to consider other matters. This is particularly important as members strive toward creating an employment rather than income eligibility system.

▸ **Vehicle for accountability and systems change.** Private-sector members are continually interested in achieving outcomes of defined goals and less interested in the outputs associated with process activities. This results-oriented, bottom-line approach has forced changes in the local system in two ways. First, better efforts are taken to track and monitor performance. Second, providers are judged and paid on their abilities to achieve results. This has created an environment that seeks and values systems change for the benefit of the local community. It also has ensured that LINC's efforts have moved beyond the rhetoric of "reforming or re-inventing government" to actual practice.

▸ **Avenue for overcoming vested interests and turf.** Private-sector members typically take

their position of authority seriously and will often make efforts to disassociate themselves from any possible linkages with local providers and subcontractors. This creates an environment that allows the commission to consider critical issues in an open and objective manner, as well as support an environment that values performance. In addition, and perhaps more importantly, it enables members to think about delivering services through a rational and integrated structure/system that is uncluttered with historical issues of organizational turf and prerogatives.

▸ **Ability to access political power.** The appointment of private citizens and business people to a public board creates the opportunity to obtain individuals who are accomplished leaders in their community and business. LINC's members have demonstrated several times that they are willing to take the interests of the community to the highest levels in order to achieve the actions desired. In fact, LINC is valued for its role in advocating for systems change within the state bureaucracy.

▸ **Commitment to training and technology development.** Private-sector representatives, particularly those from the business community, bring a heightened awareness and commitment to investing in training and technology in order to improve performance. Such interests have resulted in LINC securing additional funds to support the retraining of case management specialists and the development of a management information system.

Public/private partnerships are not without challenges. Chief among them is for the public/private body to clarify its roles, authorities and responsibilities and to test such understandings from the outset. It is doubtful that some other authority will provide the needed clarity. Ambiguity on this matter is the clearest path to frustration and ineffectiveness. It is also important to secure a commitment to strong staff capacity and backing from pertinent elected leaders. LINC's overall success is partially attributable to the continued support of key state leaders and the ability of staff to help members understand and address the intricacies of complex social issues.

LINC has demonstrated the value that public/private partnerships can bring to efforts designed to address complex social issues. The benefits from this initiative, however, have not been achieved easily or quickly, nor are they guaranteed for the future. The continued perseverance of LINC's private-sector members, along with the commitment of state and local leaders to systems improvement and strengthened local capacity, is the foundation for future successes.

Government-Directed Welfare-To-Work Initiatives

In recent years, the welfare policy agenda has increased the pressure for welfare recipients to work. In doing so, engagement of and responsiveness to the business community in the welfare-to-work process has become a higher priority, since businesses will be the employers of recipients who make a successful transition. State governments have often turned to private organizations to design or operate such initiatives, including both nonprofit and commercial entities. This has largely been in response to critics who have suggested that government is systematically incapable of doing anything well — including welfare delivery — especially if the task requires an understanding of the private sector. Despite the resulting focus on privatization and outsourcing of welfare functions, there are important examples of welfare-to-work efforts that have been conceived, developed and operated within government. It is important to explore this type of approach carefully, since it helps to sort out the raging debate about the appropriate roles for government and the private sectors.

This strategy seems traditional in that welfare delivery is lodged within government, but that belies the changes that are occurring in some government-directed welfare-to-work programs. Where they appear to be successful, they have oriented toward understanding labor markets, establishing clear outcomes and reforming bureaucracies. In other words, they have changed the way government does business. But they have done so within the structure of government.

Government-directed initiatives often combine "carrots and sticks" in their efforts to move recipients rapidly into work. Incentives such as increases in earned-income disregards and sanctions such as reduction or termination of benefits for recipients who refuse to work are often used. In addition, they typically include some sort of job club or work search support, focusing on building recipients' self-esteem and teaching them how to find and keep jobs.

States such as Wisconsin have taken an aggressive approach to implementing a combination of work requirements and time limits on the receipt of welfare benefits. Advanced as part of the state's welfare reform agenda, in which virtually all cash assistance is to be replaced by work requirements, Wisconsin Works (W2) uses a combination of immediate employment, trial jobs, community service and transitional work to assure that all public assistance recipients work in some fashion. The various options are intended to make it possible for even very hard-to-employ recipients to participate in work and contribute to the community. The W2 initiative is clearly a state-driven approach, but it also utilizes a wide variety of local partners.

Critics say that the program provides no assurance of jobs, child care or health benefits, and that it will increase poverty. They do not believe that the economy can absorb the numbers of recipients who will need to find employment, and that even those who fully comply with program requirements will be penalized. Even if the philosophy of work in return for benefits makes sense, they worry that the "devil is in the details" of how the system is actually implemented.[1]

Another illustration of the government-driven approach is the Los Angeles County, Calif., Greater Avenues for Independence program

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Barkan, Scott. *Wisconsin Works: Significant Experiment, Troubling Features.* Center for Law and Social Policy, Washington, DC, web site, http://www.handsnet.org/handsnet2/welfare.reform/Articles/art.835299147.html, June 1996.

(LA GAIN). This initiative, launched in 1994, positioned the county social services agency as "a free personnel recruitment service that provides quality job applicants to businesses of all sizes."[1] For welfare recipients, it represented a shift away from education and training to early employment.[2] Although operated by the public-sector welfare agency, the program also links with an extensive network of outside service providers.

Of the governmentally based welfare-to-work efforts across the nation, one of the most compelling is Project Zero in Michigan. A relatively new and large-scale initiative, it aggressively attacks some of the negative stereotypes of government-operated programs by taking a flexible approach to meeting the needs of recipients, sharply focusing on the demands of employers and building a new culture within the welfare agency. It has begun to shift the orientation of the Michigan welfare system from *providing cash assistance* to *building labor market connections*. As such, it provides great insight into the advantages and challenges involved in linking government agencies with business in a fundamentally different fashion.

Profile: Michigan's Project Zero

Project Zero is an effort by the Michigan Family Independence Agency (FIA), the state's welfare department, to reduce the fraction of non-employed, non-income-generating welfare recipients using an aggressive and flexible combination of carrots, sticks and supports. It presumes that with the right combination and sufficient investment of public resources, that fraction can be reduced to zero. Although it is not focused specifically on reducing caseloads, it appears to have had this effect, as well as that of increasing earned income. The program is housed and managed entirely within state government, although many support services are provided by outside entities.

Project Zero emanates from waivers approved by the United States Department of Health and Human Services in October 1992, which resulted in an initiative called To Strengthen Michigan's Families (TSMF). TSMF required welfare recipients to agree to a social contract under which they carry out personally or socially useful activities for at least 20 hours per week. At the same time, it increased ceilings on income disregards, allowed children to earn and save without affecting benefits, and broadened eligibility for two-parent families. Beginning two years later, additional waivers allowed the state to impose further requirements. These included elimination of most exemptions from participation in Michigan's JOBS program, a stronger emphasis on Work First, more severe sanctions for non-compliance, and exclusion of investments in self-employment and the value of one automobile from the eligibility determination.

As progress was seen in increasing the rate of welfare clients with earned income, state policymakers began to examine the possibility that all those on welfare could reasonably be expected to work. If this ever would be possible, so went the reasoning, it should be in a period of economic expansion. At the same time, concern was beginning to mount regarding the difficulty of moving the so-called "residual," or hard-to-serve, welfare population into work. These individuals, who may have been on welfare for an extended period and have little work experience, were seen as unlikely to find a job simply by seeking one. In survey research conducted by FIA, the barriers of transportation, child care and self-esteem were identified as important obstacles to finding and

[1] Los Angeles County Department of Public Social Services, web site, http://www.co.la.ca.us/dpss/gain/, Oct. 8, 1997.

[2] National Association of Counties, web site, http://www.naco.org/nich/programs.htm#19, December 1997.

keeping jobs. The result was the conception of Project Zero, an initiative designed to address each of these issues.

The policy goals of Project Zero are clearly articulated and well-known to staff at both the policy and line levels: The initiative attempts to change the relationship between the welfare system and the recipients and to build strong labor market connections. These goals require that the relationship between the client and the system be fundamentally redefined. Instead of focusing the majority of efforts on assuring eligibility and deterring fraud, the staff now works with clients to identify their barriers to employment, improve their self-esteem, strengthen their problem-solving skills and move them into jobs. This approach anticipated the temporary nature of the federal welfare system under the reform law passed in 1996.[4] The goals also mean that workers must understand the interests and needs of employers if they are to provide meaningful assistance to recipients. Staff are now in the business of showing recipients how to market themselves to prospective employers instead of helping them to maintain a lifestyle of dependence on public assistance.

At the program level, Project Zero is trying to achieve the overall goal of transforming government operations to better help participants obtain earned income through four strategies. Together, the following strategies represent a dramatic change in the way in which government conducts its welfare business:[5]

- Change the welfare culture by implementing new work standards
- Change the welfare culture by implementing new sanction policies
- Change welfare delivery and worker culture by implementing the one-worker system
- Develop community partnerships

These goals and strategies are advanced systematically through the design and operation of the program. Within the overall approach, the individual sites are given fairly broad flexibility to implement Project Zero locally; however, many common themes remain.

Program Design and Operations

Project Zero has a relatively simple design that reflects the goals described above. The design is characterized by at least some staff as a "common-sense approach" that merely builds on what is well-known about moving welfare recipients into work. In its demonstration phase, six sites from around the state participated in an approach that provided clients support for their efforts to find work and sanctions if they failed to cooperate.[6] Changes in staff responsibilities made it possible for a single worker to play a broad role in working with an individual client. Following are key elements of the program design.

- **Site Selection.** The original six sites were selected to encompass a diverse range of Michigan communities, based on demographics, geography, urban/rural location and level of volunteerism in the community.[7] The initial sites included the district offices of Tireman in urban Detroit and Romulus in suburban Wayne County, and the county offices of Alpena, Menominee, Midland and Ottawa, which are mostly rural. Together the sites included approximately 3 percent of the state's Family Independence Program[8] cases.

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[4] Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

[5] *Project Zero One-Year Report*, Michigan Family Independence Agency, Lansing, Mich. August 1997.

[6] As of October 1997, six new sites have been added to the Project Zero demonstration.

[7] Seefeldt, Kristin S., et al., *Project Zero: A View from the Sites*, Michigan Program on Poverty and Social Welfare Policy, Ann Arbor, Mich., May 1997.

▸ **Client Selection.** During their first 60 days on public assistance, recipients are required to seek work on their own and are not part of Project Zero. This requirement screens out clients who are easily employable. After this 60-day period, all clients in the demonstration sites who would normally be required to participate in the state's Work First requirements are automatically in Project Zero.[1] Some clients are deferred from the Work First requirement and are likewise deferred from the Project Zero caseload. Deferrals are temporary, and staff review them periodically. Statewide, approximately 30 percent of clients are deferred at any one time. Of those in the Project Zero sites, 36 sites were deferred as of August 1997.

▸ **Case Manager Role.** A new worker classification called Family Independence Specialist (FIS) was created by merging the functions of assistance payment, employment and child care services workers. This means that each client needs to know only one worker, and that one worker can know much more about each client. The workers also conduct counseling sessions and home calls, which provide an even richer range of informational sources through which a worker can get to know a client. The specialist's role does not include eligibility determinations, which means that the client-worker relationship can, to some extent, avoid this frequent source of conflict. By combining the roles of three positions and, thus, expanding responsibilities of individual workers, caseloads were to have been reduced. Because of budget pressure and an early retirement program, the reductions have not been as great as expected. Still, most workers appear to feel that the broader role, with somewhat lower caseload, has created a better, more rewarding job.

▸ **Case Planning.** The FIS works with each client to develop a Family or Personal Contract. This contract includes specific goals, a plan for achieving them and needed resources. It becomes the point of reference for all further efforts by the client and FIS. Through this planning process, the self-esteem building discussed below and pre-employment job preparation process are laid out with the client.

▸ **Employer Recruitment.** While employers are not a part of the program per se, they are recruited actively in some sites. Employers also have been recruited by staff to participate in the orientation sessions and mock interviews in at least a few sites. Staff reported that feedback from prospective and actual employers helped them to understand the way employment barriers affected recipients on the job site. This in turn allowed staff to refine support services delivery systems to address these issues effectively.

▸ **Finding Jobs.** Clients are required to participate in a job search process with the support of a job club and other types of preparation. This begins as soon as individuals apply for assistance, continues through the 60-day period before they enter Project Zero, and remains in effect as long as they are receiving assistance.

The state's Work First system provides job preparation to virtually all clients. Project Zero participants receive all of the search and preparation services that other Work First participants receive, but often at a more intensive level. The delivery system for these services varies from site

[1] The Family Independence Program is Michigan's implementation of the federal Temporary Assistance to Needy Families [TANF] program.

[2] Work First is the Michigan program designed to avoid welfare or at least minimize its use. It is operated by the state's economic development agency, the Michigan Jobs Commission.

to site, but in most cases work expectations, job search strategies, resume development and interview skills are covered in courses that last up to a few weeks. At some sites, this happens concurrently with the beginning of the job search, while at others it precedes the search. In addition to the efforts of the Project Zero clients themselves, the Work First staff also attempt to develop job opportunities for the clients. These staff work closely with the FIA staff to provide a flow of information regarding such opportunities to clients. For those clients unable to find work, some sites used sheltered workshops or community work experience as temporary alternatives intended to improve a recipient's ability to find private-sector jobs as soon as possible. The process of job search continues until a recipient finds unsubsidized private-sector work.

▸ **Support Services.** A key aspect of Project Zero's design is the ability of FIA staff to provide a broader range of support services on a more flexible and intensive basis. Focusing on such key barriers to employment as difficulties with transportation, child care and self-esteem, the goal of Project Zero is to help recipients solve all problems that seriously impede employment. Each site can determine its own strategy for addressing the barriers, but often they have contracted with local, community-based groups. The following illustrations show how this approach has evolved.

▸ **Transportation.** In Ottawa County transportation is provided by Life Services System (LSS). There also is a county Dial-a-Ride program, but it did not meet the needs of Project Zero clients because getting to work could easily require several hours a day. The LSS transportation, on the other hand, provides direct service to where the client needs to go and does so on a seven-day, 24-hour basis. In other areas, such as Romulus and Tireman, linkages with existing transportation agencies worked better, either through regular bus service or the ability to target resources to welfare customers.

▸ **Child Care.** Several sites contracted with local Child Care Coordinating Councils (4Cs) to enhance child care. Typically, this meant providing care at non-traditional hours, increasing capacity and making referrals. Another strategy has been to work with Friend of the Court offices to review and, where appropriate, increase support orders to make more resources available to clients.

▸ **Self-Esteem.** Each site provides some type of mentoring or other service intended to help clients build their self-esteem and to understand their economic self-worth. In three sites, this was carried out through contracts with nonprofit vendors, but the FIS staff at all sites contributed to this process through their case management processes.

When services such as those described above are developed, the FIS acts as a broker to make sure that clients are aware that they exist and how to access them. These resources are typically outlined in the case plan developed with the client. Also, the FIA staff has the flexibility to provide services other than those already in place, if they are necessary to overcome a barrier to employment. This might include help with dental work, substance abuse services, rehabilitation services for the developmentally disabled or shelter. Essentially, the workers are able to help clients find ways of overcoming any barrier that might exist to their successful job search.

The issue of organization of support services is critical to Project Zero's success. Because it is

housed within government, there is a far stronger ability to reframe the uses of resources than is the case for a vendor who provides services under a grant or contract. After all, regardless of who the ultimate provider may be, government controls the financial resources, which are derived from taxpayers, and government makes the rules for their deployment.

▸ **Job retention.** The program staff at two of the existing sites provide some support during the first few months of employment.[1] This support may take the form of identifying problems that may have arisen on the job, and attempting to help the clients and employers solve them. There has, however, been little formal tracking of job retention rates. While the FIA staff understands that retention is a critical issue, an infrastructure for addressing it in a systematic way has not yet been developed.

This issue is, however, receiving increasing attention both at the policy and program levels. For instance, at the new Greydale District demonstration site in Detroit, job retention support services, which are limited to 90 days in the standard Work First program, are being expanded to a full year. These services, delivered by the local Work First providers, will supplement the activities of the Family Independence Specialists. The providers will work with recipients and employers to address issues that could reduce the prospects for continued employment. The district also will provide modest employment expense reimbursements of up to $100 per quarter to help defray incidental costs related to employment. Retention will be tracked for the entire one-year period.

▸ **Staff Training**. The change in role of staff described above represented a significant shift in both the nature of the work carried out by welfare staffers and the manner in which it was to be done. Too frequently, public employees are placed in a position where new roles and responsibilities are imposed, and they are expected to learn how to do it "by the seat of their pants." Training is often seen as an unaffordable luxury rather than an essential ingredient in the recipe for success. Project Zero took a dramatically different approach. Detailed training was developed and all staff in the pilot sites were provided access to training sessions.

While the pace of training was somewhat accelerated, most staff did have the opportunity to participate. The training sessions and materials were designed to help workers see the differences between their old roles and new, and to provide support in making their personal transitions. They also impart tangible new skills, such as Solution-Focused Interview Skills,[2] which allow workers to interact with clients in a manner that supports the independence/ personal responsibility model on which Project Zero is grounded.

The cost of development for such extensive training programs is substantial. Because Project Zero is a government-directed initiative, program planners can think in terms of eventually spreading such costs across the entire state system. This would clearly not be possible if the services were fragmented across a system of many competing private-sector providers.

▸ **Sanctions.** Recipients who do not cooperate with the requirements of Project Zero are sanctioned through reduction and loss of benefits. Initial non-cooperation results in a 25-percent reduction of cash benefits for up to four months. If a recipient has not come into compliance during

[1] Seefeldt, Kristin S., et al., *Project Zero: A View from the Sites*, Michigan Program on Poverty and Social Welfare Policy, Ann Arbor, Mich., May 1997.

[2] DeJong, Peter, *Solution-Focused Interview Skills Participant Workbook: Building Solutions Within the Client's Frame of Reference*, Michigan Family Independence Agency, Lansing, Mich., 1997.

that period, the case is terminated. This policy was strengthened after experience with a one-year partial sanction proved it to be an ineffective incentive.

Program Results and Benefits

Project Zero costs more than the standard welfare approach, at least in the short run. It is representative of a philosophy articulated in Michigan and a limited number of other states, such as Wisconsin, that relies on a traditional investment concept that calls for spending more money at the outset in order to realize larger gains over the long term. This approach in Michigan appears to have surprised mainstream welfare advocates, many of whom have come to expect government to disinvest in social services rather than to increase spending.

In terms of its primary objective of increasing the percentage of welfare cases with earned income, Table 1 shows that the program has been doing much better in the six demonstration sites than non-Project Zero areas of the state. It is important to note, however, that all areas of the state have shown improvement, beginning well before the introduction of Project Zero. In September of 1992, before implementation of the To Strengthen Michigan Families initiative, the total AFDC caseload was 213,202. By August of 1997, that figure had declined to 134,490, a reduction of 37 percent.

The site at Tireman in the city of Detroit has the weakest performance relative to the other sites but perhaps the most impressive relative to comparable offices. This site, which accounts for nearly 50 percent of all Project Zero cases, has 50 percent of cases without earned income. The other Project Zero sites range from 14 percent to 36 percent.

When compared to the other urban offices, another side of the story emerges. The Tireman

Table 1:

Change in percent of cases with earned income — statewide

	Number of cases August 97	Number w/o earned income	Percent w/o earned income	Percent change since June 96
Non-site totals	91,434	56,289	62%	–29%
Project site totals	2,651	1,033	39%	–65%

Note: "Number of Cases" includes total Family Independence Program cases minus cases open less than 60 days minus Work First deferred cases. "Percent change since June 96" is the percentage change in the number of cases without earned income between June 1996 and August 1997. The same methods were applied to PZ sites and non-sites.
Source: Project Zero Data Monitoring Packet, August 1997.

Table 2:

Change in percent of cases with earned income — Detroit Zone IX

	Number of cases August 97	Number w/o earned income	Percent w/o earned income	Percent change since June 96
Non-site totals	13,153	9,611	73%	–23%
Project site totals	1,283	643	50%	–59%

Note: See note for Table 1 for explanation of terms. Zone IX is the urban zone in which the Tireman district office is located.
Source: Project Zero Data Monitoring Packet, August 1997.

office is in Zone IX, which has seven other offices. Table 2 compares the performance of the Tireman office with the aggregate performance of the other seven. As shown in the table, both the current percent of cases without earned income and the change since June 1996 were much more positive for the Project Zero site than for the comparison area. Among those other seven offices in Zone IX, the percent of cases without earned income ranged from 64 percent to 78 percent. The percent change

since June 1996 ranged from minus 16 percent to minus 33 percent.

The overall decline in cases during the Project Zero demonstration period is also instructive. While the non-site target caseload declined by 25 percent between June 1996 and August 1997, the target caseload at the Project Zero sites declined by a remarkable 47 percent. It is not possible to determine what fraction of these declines are because of clients finding work vs. those who refused to participate and were sanctioned. In any case, the difference between the Project Zero sites and the balance of the state is striking.

While Project Zero statewide includes only about 3 percent of target group cases, it was recently expanded to include six more sites. Again, the sites that have been selected are geographically and demographically diverse. As of August 1997, 67 percent of the cases at the new sites were without earned income. Together, the old and new sites will include about 12,801 cases, or 14 percent of the statewide total. This substantial fraction will provide a strong test of the potential for statewide implementation.

Project Zero is intended to increase the percentage of cases with earned income. This does reduce the costs of cash benefits somewhat when the earned income exceeds the disregard levels. However, it appears the benefits exceed this. With the declines in caseloads at all the sites, the cost of cash benefits is clearly lower than it would have been without Project Zero. The state assumes that the reduction in caseloads yields benefits that exceed the short-term costs of the program. Of course, it is the new cost of the support services compared with the new benefits of reduced caseloads that must be compared. Analysis of this kind has not been completed by the FIA.

Benefits to employers have not yet been well-documented. Clearly, workers have filled vacant entry-level positions, which has helped to address the labor shortage. The question of whether these workers are remaining on the job long enough to provide real value to employers is high on the agenda of the FIA to address through its ongoing data analysis operation.

The rewards of Project Zero may, however, be great. Even critics of welfare reform can complain only that the successes to date merely demonstrate what can be accomplished by investing heavily in solving the problems that individuals face as they attempt to find work, and that they reflect the strong economy. Ironically, these are the same observations made by the rather modest proponents of the program. When critics and supporters agree on what is occurring, the results bear close attention. For the future, the key issue may well be maintaining the philosophy and strategy as economic and political conditions change. In the meantime, the government-directed approach is helping to restore a popular mandate for attacking poverty within the framework of the public sector, which is a significant achievement in itself.

Program Issues

As Michigan attempts to take Project Zero to statewide scale, the program staff and policymakers confront a number of issues related to its design and the environment in which it is operating. These include:

- **Cost.** The cost of support services, especially child care and transportation, may become difficult to maintain. Even those in the current sites worry that the levels of spending required to achieve the short-term benefits will not be continued by the state. Already, consideration is being given to whether local sources can be found to maintain the these services.

▸ **Retention and Advancement.** The lack of follow-up information on clients after they enter employment makes it difficult to understand what, if any, long-term benefits accrue to Project Zero clients or to employers. The state possesses data capabilities that would allow for this type of analysis to be conducted. Currently, the state uses client case records and an Income Eligibility Verification System to determine which clients have earned income and whether they are within eligibility limits. The system is not used, however, to learn about the longer-term work patterns of Project Zero participants. As noted above, the FIA intends to enhance its ability to track retention and advancement. By taking information about the size and type of employer and including more former clients in the data runs, FIA could conduct longitudinal analyses of work and earnings trajectories for Project Zero participants and other categories of recipients. Development of this capability requires more collaboration across agencies, which has not yet been put in place.

▸ **Serving Working People**. Traditionally, social services agencies have been able to meet clients during regular business hours. When clients are working full time, however, that is much more difficult. The Project Zero sites have experimented with making formal changes in the schedules, such as adding evening hours, but this has been impeded by state labor contracts and rules. Some informal changes have been made within several offices. Whether this level of re-engineering will be sufficient remains to be seen.

▸ **Impact of an Economic Downturn.** The strong economy is seen by virtually all involved in Project Zero as an important ingredient in its success. Whether the same strategy can succeed in a weaker economy is uncertain. For the clients who gain work experience as a result of Project Zero, their prospects for competing more effectively may well be improved.

▸ **Labor Market Feedback.** By extending job support services and tracking retention for a year, Project Zero staff will have the opportunity to stay in touch with employers on retention issues. An important task will be to develop ways of using this information to address employer issues (e.g., transportation, health care, etc.) more systemically across the state. Equally important is developing routine processes to obtain employer input on future job needs.

▸ **Changing Government Culture.** To date, Michigan has made significant efforts to change the ways in which government delivers welfare-to-work services. Maintaining that momentum as Project Zero expands across the state and continues for new welfare entrants will present a key challenge. It is one that David Osborne notes in his book, *Banishing Bureaucracy*, that is represented by the difference between isolated program innovations and strategically developed reinventions that lead to a continuously improving, self-renewing system.

▸ **Support Services: Child Care and Transportation.** As in most welfare-to-work initiatives across the nation, child care and transportation are serious barriers to employment. The cost of providing such services that ought to be available through existing local systems is likely to become the focus of greater concern. As pressure to institutionalize the system and contain per-case cost increases, leveraging current resources, such as those available through local Dial-a-Ride services, will be important.

▸ **Achieving Federal Standards.** Federal law says that states may exempt no more than 20 percent of their welfare caseloads from the lifetime benefit limit of 60 months. Project Zero currently defers more than a third of cases from participation. To some extent, this is an "apples and oranges" comparison, since the 20 percent refers to the caseload at a point in time and the Project Zero cases are constantly moving through the system. In any case, Michigan and most other states are likely to face a significant challenge in achieving the federal standard. As they try to do so, additional efforts will be required to bring the hardest-to-employ clients to the point where drug dependence, criminal history or personal situations can be overcome so that clients can compete for entry-level jobs. As these efforts proceed, the costs per case are likely to rise.

▸ **Long-Term Effects of Sanctions.** While little data exists on life after sanctions for welfare recipients, there is some evidence that should convince programs such as Project Zero to track these individuals carefully. In two pilot projects evaluated by the Manpower Demonstration Research Corp., it appears that only about one-half of those who left the rolls had jobs. This has not changed much since the "old days" of cash assistance welfare.[12] Results would likely be worse for those who left the rolls because of sanctions, such as those imposed by Project Zero.

In Michigan, there is emerging evidence of a correlation between sanctions and an increase in child abuse and neglect. The Michigan Family Independence Agency found that "in terms of their contact with protective services, the sanction cases typically had 50 percent more (substantiated) abuse, neglect and referrals than a comparable group of AFDC cases."[13] While this study was not limited to Project Zero clients, there is no reason to believe that clients of this program would have more positive results. In fact, the sanction policy for the study period was less severe than the current one, with termination imposed after a full year of non-compliance.

These factors may lead to other social costs in the not-too-distant future. For future policy and program development efforts, these issues will demand attention.

Program's Role in Work Force Development System

Because of its positioning as part of the mainstream welfare system in Michigan, Project Zero is an important part of the welfare-to-work system in Michigan. Its linkage with the Work First program has provided it access to a full range of employment services.

As noted above, Work First is the Michigan program designed to avoid welfare, or at least minimize its use. It is housed in and overseen by the Michigan Jobs Commission (MJC), which is the state's economic development agency. Because MJC includes all of the state's work force development initiatives, its linkage with Project Zero connects the welfare-to-work program with many state-supported resources.

Work First utilizes a statewide network of local providers to deliver job preparation and job search assistance. These include local JTPA providers, such as private nonprofits and city and county human services departments, as well as other entities. Local Work First staff connect directly with employers as they attempt to develop employment opportunities for welfare recipients. Initially, the Project Zero recipients must attend a

[12] DeParle, Jason, "Tougher Welfare Limits Bring Surprising Results," *New York Times*, Dec. 30, 1997.

[13] *Case Closures Due to JOBS Sanctions*, Michigan Family Independence Agency, web site, http://www.mfia.state.mi.us/sanction, May 1997.

joint orientation of Work First and Project Zero in order to have their cases opened.

Project Zero is deliberately structured with a strong local role, consistent with the overall Michigan Work First approach. This engages local JTPA agencies and others in efforts to find work for welfare clients, but goes beyond those entities. Project Zero also has engaged churches and other faith-based organizations to recruit mentors for its participants. This, along with the extensive media coverage of the program, appears to have helped Project Zero overcome skepticism and build successful community linkages.

Particularly in the rural communities, Project Zero has become something of a linchpin for the welfare-to-work system. Many public and private services are coordinated by Project Zero staff and even supported through Project Zero funds. This has resulted in an overall increase in the capacity of the system to deliver services and a higher level of investment per case for developing employment. While there are several creative and effective local or nonprofit programs to support the welfare-to-work transition, none has the scope, resources or ambitious goals of Project Zero. The collaboration and coordination results in a continuum of services delivered by an array of agencies and organizations. Their linkages make utilization of the services much more efficient for users than they would be if they remained completely independent. Together, this system appears to provide more than the sum of its parts to recipients attempting the transition from welfare to work and, ultimately, the employers who hire them.

Future Potential for Government-Directed Welfare-to-Work Initiatives

Welfare-to-work initiatives have attempted to link with labor markets through a variety of means. Government-directed approaches are, in a sense, swimming against the current of anti-government sentiment. Some have, however, achieved a measure of success in doing so.

While many welfare-to-work efforts represent relatively small-scale demonstrations and pilots, Project Zero and other government-directed initiatives have the potential to operate across the entire welfare system. It is the integration into the mainstream welfare system — and their relative simplicity — that give them great promise as an innovative practice. As demonstrated by Project Zero, these initiatives have several advantages of importance to policymakers at the state and federal levels that may help them move welfare reform to the next level. These advantages include:

- **A scale that can be transformational.** It is much more plausible to ramp up to large scale if a program begins inside the structure of the public-sector delivery system. While these systems are often fraught with bureaucratic inertia that makes change slow and difficult, the public sector is, to paraphrase noted bank robber Willie Sutton, "where the money is." Project Zero already has expanded from six demonstration sites to 12 and, with almost 13,000 current participants, this demonstration is now one of the largest in the nation.[11] If progress continues, it is expected that the system will be implemented statewide. For those who wish to have broad impact, this advantage is of great importance.

- **Indication of the government's ability to play a useful role in the labor market.** In the heated debate about how society should

[11] Tenenbaum, Ellen, project director, et al., *Casebook of Welfare to Work Demonstrations*, Westat, Inc. for the U.S. Department of Labor, November 1997. In this review of 21 promising practices in welfare-to-work across the nation, only five had enrollments of greater than 1,000 and none were larger than 10,000.

respond to welfare, the role of government has been sharply criticized. Often characterized as self-interested, liberally oriented bureaucracies, welfare agencies must prove that they can change, or they are likely to face extinction. Project Zero has demonstrated that it is possible for government to change the way it does business in terms of understanding and orientating toward labor markets, using carrots and sticks to induce positive behaviors among recipients and changing internal structures and roles to meet new demands.

▸ **A means of improving staff motivation, morale and fulfillment.** Providing staff with the opportunity for rewarding and satisfying roles has been difficult in welfare systems in recent years. The repositioning of Project Zero staff to play broader roles and to be responsible for the success of their clients, rather than to play more of an enforcement role, has at least to some degree accomplished this. The training provided to staff goes a long way toward demonstrating that they are valued employees and that the leadership of the agency is serious about supporting their new roles.

▸ **A large base across which relatively high developmental costs can be spread.** Relating the first two advantages, one can see that the large scale of a public-sector system makes it feasible to invest substantial resources in program development, staff training, data systems and other infrastructure. In Project Zero, it was precisely because of the large scale of the governmental system that the substantial cost of developing high-quality staff training could be considered. Planners could think in terms of spreading these costs across a larger base than if the same services were provided by several competing private-sector providers.

▸ **A realistic and balanced approach to client responsibility and support.** The rhetoric of personal responsibility pervades the new world of welfare reform, starting with the name of the federal law. Project Zero puts the rhetoric into action by teaching recipients how to take responsibility for solving problems, rather than simply demanding that they do so. As the case managers work through solutions to problems with clients, they use the process to illustrate how clients can do so for themselves.

▸ **A vehicle for effective integration of support services.** While an increasing number of welfare-to-work initiatives recognize the importance of support services as necessary to positioning recipients for the labor market, the government-driven model may make this process more facile. It is the government that controls the resources and makes the rules for their deployment. For this reason, support services can be coordinated more effectively within this model.

All welfare-to-work efforts face serious challenges, and Project Zero is no exception. Some of the challenges faced by the program may be illuminating to those who are attempting to develop welfare-to-work initiatives. These include questions about continued funding, the path taken by clients after they leave welfare and the possible impact of economic downturn on the overall strategy, all of which are closely interrelated.

Funding dilemmas may face any innovative approach to welfare reform, just as they have plagued traditional welfare. As intensive efforts are made to eliminate barriers, the costs per case rise. Further exacerbating this problem is that, as "easier" cases are successfully addressed, assisting those remaining may be even more costly, particularly as the harder-to-serve constitute a greater proportion of the caseload. How high these

costs can go before the political consensus to pay them begins to erode is an open question.

Project Zero has not yet really attacked the problem of the harder-to-serve population. With a third of cases deferred from participation, there remain many harder-to-employ recipients who will eventually need to leave the rolls and support themselves. Helping them make a successful transition may drive costs per case much higher, and could do so at the same time that savings from caseload reductions diminish. Also, reducing caseloads through sanctions may impose far greater social and personal costs than anticipated, especially in the area of child abuse and neglect. It may be necessary for Project Zero to work with those who have been removed from the system but have not become economically self-sufficient.

The long-term costs of the welfare system are not driven by the cost of transitional welfare-to-work services, but by the duration of dependency. If Project Zero is creating paths toward true economic self-sufficiency, it may more than pay back its costs over time. Whether it has reached that point, however, has not been answered. The Michigan Family Independence Agency and others who would emulate the Project Zero approach would gain much by tracking clients through their initial engagement with the work force to determine whether other follow-up support may be equally cost-effective.

In an economic downturn, the strength of the connection to the work force that welfare recipients have built will have much to do with their ability to remain independent. The issues of retention and advancement have not been extensively addressed in the Project Zero demonstration, but are worth serious attention. Recent analyses have suggested that most caseload reduction nationally has been attributable to economic conditions and not welfare reform policies.[15] If this is correct, then when economic conditions decline, caseloads will rise again. With a higher cost per case in place because of the welfare-to-work policies, this could present a serious policy dilemma.

Another challenge is the need to push bureaucratic systems even further to meet the needs of labor markets. Some of these systems are inside the welfare agencies and some are in other departments. The agencies must change their rules to accommodate the schedules of recipients who are full-time workers. Labor contracts and workplace regulations have made this difficult and, as a result, case managers have been forced to deal with scheduling problems informally. The local transportation agencies and others that provide support services to clients also must adapt. It is not practical or defensible for the welfare system to pay for an alternative transit system simply because the current one cannot get a working mother to her job.

In conclusion, the government-driven strategy is clearly a promising approach to the implementation of welfare-to-work, if certain elements are in place. These include the need to focus on basic job preparation, employee social supports, workplace retention and career advancement. Welfare agencies have not traditionally been oriented in this direction. Across the nation, many welfare departments are taking on new names that often suggest a link to the labor market. Change in the public sector is, however, much more difficult than hoisting a new sign over the door. It requires shifts in mission, strategy, structure and program. Carrying out these shifts demands that staff be retrained, new relationships be developed and the image and actions of public agencies be transformed.

[15] Ziliak, James P., et al., *Accounting for the Decline in AFDC Caseloads: Welfare Reform or Economic Growth?*, Discussion Paper No. 1151-97, Institute for Research on Poverty, web site http://www.ssc.wisc.edu/irp/ , November 1997.

Chapter 2:

Employers' Perspectives on Welfare-To-Work: Focus Group Findings

Introduction:

An important element of this research was to understand the experiences, perceptions and expectations of employers relative to the welfare-to-work movement. This included their interests in finding workers through publicly supported job training and placement initiatives, as well as the potential for both big and small employers to play a greater role in state and local welfare-to-work activities.

In addressing these issues, it was clear that very little previous research had focused on these matters. Employer viewpoints were rarely solicited and reported on relative to hiring welfare recipients and working with publicly supported training providers. As such, senior team members conducted three sets of employer focus groups during the summer and fall of 1997.

Focus groups were held in Orlando, Fla.; Baltimore, Md.; and Detroit, Mich. Three distinct two- to three-hour sessions were conducted in Orlando and Detroit, while two sessions were conducted in Baltimore. At each site a local host organization took responsibility for soliciting the participants and arranging the logistics of the event. (In Orlando, the Central Florida Jobs and Education Partnership/WAGES Coalition; in Baltimore, The Jacob France School of Business at the University of Baltimore; and in Detroit, three separate groups: Michigan Minority Business Development Council, Michigan Retailers Association and the Small Business Association of Michigan.)

The project team played no part in determining which individual employers would participate. It was decided, however, to organize individual sessions around specific industry sectors or some other common theme. For example, in Florida, one session comprised employers in the hospitality industry, another in retail and another represented a mix of small businesses (generally fewer than 100 employees). Combined, the focus groups included representatives of more than 50 businesses.

Although the term "focus group" was used for this effort, the sessions were organized more along the lines of a structured roundtable discussion than a formal marketing research focus group that includes such elements as discrete observation and closed-ended questions. A consistent discussion protocol was used for all eight sessions. It devoted attention to the following matters: current economic conditions and quality of current work force; demand for and ability to obtain new entry-level workers; internal and external issues impacting on work force concerns; experience with publicly supported job training and placement programs; knowledge of welfare-to-work issues and programs; use and relevance of employment subsidies; and willingness to participate in welfare-to-work activities.

The findings from each of the three sites follows.

Findings from Baltimore Focus Groups

This piece presents key findings from a set of two focus groups that solicited information from Baltimore city businesses on their experiences, perspectives and expectations for hiring welfare recipients. The sessions were conducted Nov. 4 and Nov. 5, 1997 and involved groups of restaurant owners and an overall mix of businesses located in Baltimore's Empowerment Zone (EZ). Together, 16 distinct businesses were represented in the discussions, covering a mix of industry sectors including manufacturing, wholesale, service and retail.[1]

Except where noted, the findings represent common themes expressed across the two focus group sessions. Although each of the groups offered a distinct perspective on the overall issue of hiring welfare recipients and raised different points on this matter, there were a number of common factors that surfaced frequently throughout the sessions. These are presented below as primary issues and represent what we believe are the most salient points.

Primary Issues

Ten primary issues were identified from the discussions.

▸ **Demand For Workers But Poor Quality Among Large Labor Pool.** Most businesses across all industry sectors reported that the economy was good and that prospects for continued stability and growth were excellent. Most also reported difficulty in obtaining and keeping workers, particularly for entry-level positions. After some probing, it was revealed that the scarcity of quality labor was not a new phenomenon nor solely tied to the recent upturn in the local economy. It was a phenomenon that many employers had experienced for the last three to five years. Although it was generally acknowledged that there appeared to be lots of people looking for work, almost everyone agreed that new applicants were of a low quality, with many appearing to have significant motivational, attitude and life skill problems. Several participants noted that many of the applicants they encountered — often as a result of them knocking on their door — were simply looking to work for several days and were not interested in full-time jobs. Despite intensive screening, businesses said they find that many new employees still lack job readiness skills and leave within the first 30 days of employment. Although some firms attributed the early attrition to the employer's dissatisfaction with a worker, many noted it was the worker who chose to leave (many times without notification).

▸ **A Poor "Culture" For Work.** All firms reported a stable, quality work force as a key issue to their success and all expressed frustration with the current quality of the labor pool, particularly the work characteristics of individuals trying to move from public assistance to employment. This perception did not differ among owners of small or medium-sized firms, white or minority business owners or firms of different industry sectors. Throughout the two sessions, a majority of the participants stressed that the current work force within the city of Baltimore did not have a strong "culture" of work, meaning the community of applicants did not appear serious about wanting to move from public assistance to work. As several

[1] These sessions were conducted by Jeff Padden and Brandon Roberts under the auspices of Brandon Roberts + Associates. The sessions were organized by The Jacob France Center of the University of Baltimore and conducted at their facility. Firms were recruited with the help of two Baltimore groups: the Maryland Hospitality Education Foundation and the Empower Baltimore Management Corp. (EBMC).

noted, "work is seen as an occasional way of getting some dollars to satisfy immediate needs, not a way of life." Several firms reported having to recruit outside the city for entry-level positions, despite the fact that there were plenty of unemployed workers in proximity to their firms.

Many participants questioned whether welfare reform could effectively address the "work culture" issue by motivating recipients to join the work force. Some employers perceive that the incentives in the welfare system lead recipients to a calculation that welfare is more advantageous than work. This is true despite the fact that most employers are unaware of the actual benefit levels. Several participants reported that welfare recipients would work only up to the level at which their benefits would be reduced, and then disappear for days at a time. From the point of view of the employers, these recipients were simply maximizing their total income which, unfortunately, caused the employers serious management problems with no-shows. Most employers were either unaware or dubious that recipients would ever be permanently terminated from public assistance as mandated under federal welfare reform legislation.

▸ **Unsatisfactory Experiences With Publicly Supported Employment System.** Many of the firms reported having contact with publicly operated employment and training programs. There were many similarities in the experiences of Baltimore businesses regarding public agencies. Employers discussed negative experiences with public organizations that were attempting to provide work force assistance, with the exception of a prisoner pre-release program (see below). One sentiment, echoed by others, was that "If there is a good agency, we haven't seen it." The Maryland and Baltimore Job Service agencies were characterized as profoundly out of touch with the needs and concerns of employers. For those who had used them, the experience was one of getting inappropriate candidates for jobs and getting them at the wrong time. The agency staff were characterized as "body movers" who were simply trying to achieve targeted numbers of referrals. Satisfying their business customers did not seem to be a high priority. Participants were frustrated at the fragmentation and low profile of the public work force apparatus. It was suggested that publicly supported efforts would be enhanced if one entity took responsibility for all work force matters and if the contact information for such an agency was well-known to employers.

Many of the firms noted their involvement in the empowerment zone and their expectations from that involvement. Firms were particularly critical of the EZ effort, with many agreeing that the EZ-created employment programs were established without any real understanding of the work force needs of EZ firms. Several participants noted that it did not appear that Empower Baltimore Management Corp. (EBMC) — the local organization responsible for the EZ initiative — was interested in their needs as it developed work force programs based on pre-existing models of assistance rather than through the input of EZ firms. Another said he is planning a substantial addition to his business but could not get phone calls returned from the EBMC staff. Several participants did say that they had been contacted by EBMC, but not for business assistance. Rather, they were asked only to provide "success stories" for media and political consumption. On the positive side, one business had received a crucial start-up loan from the organization. Participants noted the difference in support for new vs. existing businesses. Some had used EZ tax credit, which they said was "the only benefit that EBMC could not

interfere with." A few had received some work force training support, but even in those cases EBMC was criticized for its cumbersome administrative processes and slow payments.

Several firms use a prisoner pre-release program for placing convicted offenders in work. The employers characterized these workers as dependable and hard-working, and reported having hired some into permanent positions. Others agreed with this characterization, but their direct experience with such a program was limited. It appears that, because parole is closely linked to work performance, participants are highly motivated to do well. After winning release, however, many suffer declining performance. According to the employer, this may be because of the fact that their freedom is no longer at stake, but it is also related to the change in life circumstances. After leaving the residential program upon parole, offenders must find a place to live in the free world. The adjustment process is often difficult and the probation system does not provide adequate support during this period.

Several firms acknowledged working with local community-based groups to obtain workers. In most instances, these efforts received favorable reviews with particular notice given to the Urban League, Genesis Jobs and Associated Catholic Charities. These programs were cited for their abilities to provide appropriate referrals and reliable workers as well as, in at least one instance, offer post-placement support.

▸ **Little Knowledge of Welfare-to-Work Policies.** Two firms reported specific involvement in local welfare-to-work activities and general satisfaction with those efforts. The vast majority of firms, however, were not generally informed about national, state and local efforts to move welfare recipients into work. While all knew that welfare reform was intended to achieve that objective, they had not received direct information from state and local public agencies about specific efforts, nor were they informed about the availability of funds to subsidize welfare hires. A few firms did note that they recently encountered unqualified individuals seeking employment, who needed the firm to sign a sheet documenting that they applied for a job. In some cases, these individuals were clearly not interested in actually getting a job but, rather, in documenting that they had sought one. Thus they would fulfill a technical requirement for continued public assistance.

Perhaps more surprising was the lack of information available from business associations on the welfare-to-work movement. Aside from the firms participating as a result of the Maryland Hospitality Education Foundation (MHEF), the other firms had not received information from their trade association or local business groups such as the Chamber of Commerce or Greater Baltimore Committee. These groups represent a critically important conduit for information on welfare-to-work initiatives because business owners trust and rely upon them for current, accurate business information.

▸ **Barriers to Employment.** In addition to concerns about applicant attitudes and motivation, focus group participants universally emphasized that adequate child care was a significant barrier to employment and job retention. Employers appeared very sympathetic to this problem among workers, and noted the need for the government to take significant action. Several employers expressed interest in opening child care facilities at work sites, but others noted that there were significant barriers to achieving this, most notable being liability issues. Transportation was not considered a significant problem. Drugs and alcohol also were

mentioned as key barriers, with several employers noting that they conducted drug testing and, as a result, eliminated large numbers of applicants from consideration. In one of the groups, lottery "addiction" was reported as a common source of problems for workers. Several employers reported that "many" workers spend as much as 50 percent of their income on lottery tickets, which leads to family problems and, eventually, employment difficulties.

▸ **Informal Post-Employment Support.** Because of the difficulties in obtaining good workers, employers noted that they made concerted efforts to keep or retain their existing work force. Besides offering raises and other traditional means of retention, a surprising number of employers noted providing their workers loans to help them through difficult financial times. Employers also noted the continuous need to accommodate the personal needs and situations of workers, phenomena that often cast them in the role of a social worker. Several participants suggested they would like greater support from public agencies and the EZ program in this area, particularly as firms hire disadvantaged workers. Such support would mean that if there is a problem, the client or the employer could call and seek advice on how to handle the situation. Such support might also take the form of an external resource or of a strategy that increases the capacity of managers and supervisors to deal with problems directly. None of the focus group participants reported finding such support through public or private nonprofit providers.

▸ **Mixed Perspectives on Hiring Subsidies.** Most participants were very clear that they were much more interested in finding quality employees than in receiving tax incentives for hiring. Although many were vaguely aware that such subsidies existed, none could effectively distinguish between federal and state hiring tax credits. One firm did note that they had hired an accountant to identify all the credits that were available to them (estimated at 10) and to ensure that they availed themselves of those benefits. The firm noted, however, that such credits did not influence their hiring decisions. EZ firms did speak favorably of the EZ hiring incentives, although several noted that they always sought to hire in their community because it was good business. In essence, most of the firms reported that they perceived hiring subsidies as "gravy" that had little bearing on their hiring decisions. When presented with the choice of continuing such tax incentives or making public investments into improving the job readiness of entry-level workers, there was strong consensus to do the latter. All participants were far more interested in having help in finding more-qualified employees than in being compensated for hiring those who they perceive as less-qualified.

▸ **Race: A Factor For Employees, Not Employers.** The employers, both white and African American, agreed that economics matters in their hiring decisions and that race does not. They see life skills of individuals as critical and report that difficulties in this area cross racial boundaries. On the other hand, several perceived that potential employees consider race in their decisions about where to apply and work.[2] There was a general sense that white workers perceive African American neighborhoods as unsafe and, therefore, stay away. Likewise, African American workers perceive white areas as hostile and do the same. This *de facto* segregation limits the pool of

[2] One employer noted that he deliberately tried to maintain a diversified and balanced work force. The employer noted that too many workers of any one race or ethnicity created a difficult environment for other workers of a different race or ethnicity.

potential workers available to all employers.

▸ **Need For Business to Play a More Active Role.** A general sentiment expressed by most participants was that business was not effectively consulted during the design of most work force initiatives and, as such, publicly supported initiatives were not responsive to their needs. All endorsed the concept of businesses playing a more integral role in the future. The Maryland Hospitality Education Foundation noted their efforts to develop a job preparation and placement program that would facilitate the effective movement of disadvantaged individuals into work at this establishment. This would have the dual benefit of providing a concrete job opportunity for participants and a prepared worker for participating businesses.

▸ **Limited Help For Workers From Smaller Firms.** There was some discussion about the difficulties that small firms face in trying to help with the welfare-to-work transition. The largest firm represented employed a person virtually full time to solve employee problems. Smaller firms do not have the capacity for such specialization. Even utilizing public or nonprofit programs that could help employers can be time-consuming and difficult. Likewise, small firms cannot designate an individual to work on welfare policy on an ongoing basis. She felt the need for "someone to take the lead," so that she could make a manageable contribution to the process. Another employer who said she was "very committed and willing to try to make it happen" also said that the public sector "must make it easy" for her to help. The participants reported that they frequently act as social workers and, in that role, identify, address and resolve a wide range of personal personnel problems. While most participants acknowledged this new role, only one expressed significant frustration at having to carry out such functions. He said that because of declining sales, he no longer has the resources to provide this type of support.

Other Issues

▸ **Technical Skills Not That Important.** The employers were quite realistic about the pool of available entry-level workers. One said, "The issue is how we can handle *imperfect* employees. We don't find perfect ones." The range of skills necessary to qualify for entry-level jobs varied considerably; however, only a few employers required workers with high school-level reading, writing and math skills or experience in their industry. Almost all indicated they would provide the necessary technical skills. Other employers required minimal skills levels. One, in fact, said, "I'm looking for almost nothing at the outset. I just want people who will show up." On the other hand, there was a strong, universal need for workers with a good attitude about work, which includes a willingness to show up on time every day. Several employers reported screening for drugs and criminal history, which eliminates many candidates. Workers who fail drug tests at least have the opportunity to change their behavior. Those with criminal histories will carry those records the rest of their lives, which means they must simply seek work in businesses that are not concerned about this barrier.

▸ **Excessive Turnover and Limited Internal Human Resource Capacity.** Firms indicated that keeping a work force and upgrading the skills of the current work force were major challenges, particularly given the high worker turnover and the costs involved in turnover. One firm reported an annual turnover rate of 2,000 percent! Employers generally acknowledged that managers and supervisors often lack the interpersonal and

managerial skills to handle the problematic and diverse work forces found within most firms today. Few of the firms had staff dedicated to human resources management. All of the firms reported being open to learning techniques for managing their work force, but no one could identify how to obtain such training. Several participants noted that this is the type of assistance they should be receiving from the EZ.

▸ **Participating Restaurants Offer Few Entry-Level Jobs.** Contrary to the popular perception that restaurants and other service businesses offer large numbers of entry-level positions, the restaurants participating in the focus group reported a small number of jobs potentially available to welfare recipients. On average, these firms indicated that only 20 percent of their jobs could be considered entry level and even some of these were held by long-term employees. In addition, the employers noted that there was little opportunity for career advancement within each establishment. It is important to note that these restaurants were locally owned, and as such, may have completely different employment situations than other food service businesses, particularly fast-food enterprises and franchise operations.

▸ **Limited Experiences With Private Staffing Agencies.** None of the participants reported positive experiences in utilizing staffing firms to address their need for entry-level workers. Although at least five had briefly used such agencies, there was little ongoing use. One exception was a restaurant that contracted for employees for hard-to-fill shifts for the lowest-skilled positions. Even in this case, the employer was clear about his openness to better alternatives. One employer reported that the temporary services "send the same people we find. They don't really screen." He also observed that many who seek work through these agencies are not looking for full-time, permanent jobs. Another person noted that most temporary agencies devote their time and attention to more highly skilled and experienced workers. Most in the group agreed with these observations.

▸ **Social Consciousness, Information and Business Sense.** The majority of employers expressed a genuine willingness to hire welfare recipients in response to the president's call to the business community. They were quite clear that they saw this as a social obligation of business, but when one participant pointed out that doing so could not be allowed to jeopardize the firm, all agreed. As noted earlier, only one of the firms had been approached by any government agency or by their trade associations with information about hiring welfare recipients. In that case, a state agency made an initial contact, but never followed up with any referrals. Even the members of the MHEF board, who are actively involved in work force strategy for their industry, admitted to being largely uninformed. At a broader level, many participants seemed to recognize that there will always be some individuals who are unable to support themselves and that society has an obligation to support them. Although they see some on welfare as being trapped by a mentality of dependence, they also see that many simply face barriers too great to overcome.

Findings from Detroit Focus Groups

This piece presents key findings from a set of three focus groups that solicited information from Detroit-area businesses on their experiences, perspectives and expectations for hiring welfare recipients. The sessions were conducted Oct. 6 and Oct. 7, 1997 and involved groups of retail, minority business owners and an overall mix of small businesses. Together, 20 distinct businesses were represented in the discussions, covering a mix of industry sectors including manufacturing, wholesale, personnel supply and retail.[1]

Except where noted, the findings represent common themes expressed across the three focus group sessions. Although each of the groups offered a distinct perspective on the overall issue of hiring welfare recipients, and raised different points on this matter, there were a number of common factors that surfaced frequently throughout the sessions. These are presented below as primary issues and represent what we believe are the most salient points.

Primary Issues

Ten primary issues were identified from the discussions.

▸ **Demand For Workers But Poor Quality For Entry-Level Positions.** All of the businesses across all industry sectors reported that the economy was good and that prospects for continued growth were excellent. Also, all reported that the supply of labor to meet current job needs and future needs was insufficient, particularly for entry-level positions. Although there were mixed feelings about the quality of each firm's current work force, almost all agreed that new applicants were of a low quality, with many appearing to have significant motivational, attitude and life skill problems. Several firms in the personnel supply business reported difficulties finding qualified labor to meet the needs of their customers. Retail businesses with operations in high-income suburbs indicated particular difficulties finding entry-level workers. One participant noted that 80 percent of applicants were screened out based on drug testing, criminal history checks and testing for fourth-grade math skills. Despite intensive screening, businesses find that many they hire still lack job readiness skills and leave within the first 30 days of employment. Although some firms attributed the early attrition to the employer's dissatisfaction with a worker, many noted it was the worker who chose to leave (many times without notification) in an effort to find a more desirable work environment in an economy with many choices.

▸ **No Difference in Perception of Workers Among Different Type Firms.** Neither small nor medium-sized firms, white nor minority business owners, nor firms of different industry sectors differed in their views about their roles and priorities as business owners. They need to run a financially sound business and do what they can to ensure a profitable bottom line. All reported a stable and quality work force as a key issue to their success and all expressed frustration with the current supply of labor, particularly the work characteristics of individuals trying to move from public assistance to employment. Minority business owners were particularly vocal in expressing the

[1] These sessions were conducted by Jeff Padden and Brandon Roberts under the auspices of Brandon Roberts + Associates. The sessions were organized with the help of three Detroit-area groups: Michigan Minority Business Development Council, Michigan Retailers Association and the Small Business Association of Michigan.

need for "these people" to change their attitudes if they expect to obtain employment in their firms. However, women and minorities were the first in the groups to voice the importance of taking concerted actions to address the barriers faced by welfare recipients trying to find work.

▸ **Limited Experience With Publicly Supported Employment System.** Many of the firms reported having little experience working with public or private nonprofit groups to obtain workers. These firms were generally unfamiliar with the existence of such groups. Others with some experience generally did not have a positive impression of any player in the employment system, although several noted some success working with vocational rehabilitation groups. Those with unfavorable experiences noted that too often, clients are taught how to operate a computer but not how to dress for an office, how to answer the phone or how to work with others. One employer wondered if perhaps these skills are taught but the clients do not learn them. On another matter, one employer reported that a nonprofit agency approached him about placements but had a standard of not placing welfare recipients in jobs that pay less than $7 an hour. Most agreed that this type of arbitrary definition of an acceptable wage is totally unrealistic from the point of view of employers. Several firms had specific experience working with the Michigan Employment Security Agency (MESA). One employer had many difficulties, including receiving hundreds of referrals for six openings, in addition to poor screening. Another employer said that after some effort, MESA had improved its screening process for her firm.

▸ **Mixed Experiences With Private Staffing Agencies.** Approximately half of the firms had some experience working with private, temporary staffing agencies. Experiences were mixed, with several reporting that after sorting through several (including the national groups), they had found a firm that provided reliable service and helped address certain barriers such as providing transportation and post-employment support. Others noted that staffing agency referrals were not sufficiently prepared to interview and begin work. Firms were clear to distinguish that they were not expecting referral agents to provide applicants with strong literacy or technical skills. They did, however, expect applicants to be effectively screened against specific hiring criteria (e.g., drug-free, no serious criminal records) and be motivated with good attitudes about work.

▸ **Little Knowledge of Welfare-to-Work Policies.** Firms were not generally informed about national, state and local efforts to move welfare recipients into work. While all knew that welfare reform was intended to achieve that objective, they had not received direct information from state and local public agencies about specific efforts, nor were they informed about the availability of funds to subsidize welfare hires. Perhaps more surprising, they had not received information from their trade or business associations. These groups represent a critically important conduit for information on welfare-to-work initiatives because business owners trust and rely upon them for current, accurate business information. Some went further to say that when government begins planning for such efforts they should consult business owners like themselves.[2] A few firms did note that they recently encountered unqualified individuals seeking employment, who needed the firm to sign a sheet documenting that

[2] These firms were surprised to learn that many policies and programs were already under way, and questioned why they were not asked to contribute to their design.

they applied for a job. In some cases, these individuals were clearly not interested in actually getting a job but, rather, in documenting that they had sought one. By doing so they would fulfill a technical requirement for continued public assistance. From the point of view of the employers, this aspect of welfare-to-work is an unproductive hassle rather than an opportunity. While all firms indicated a willingness to consider hiring welfare recipients, most noted that they were interested only in applicants with good "work foundations" (e.g., attitudes, motivation, transportation, and child care). Firms would address skill needs.

▸ **Support Service Barriers.** In addition to concerns about applicant attitudes and motivation, focus group participants universally emphasized that adequate transportation and child care were significant barriers to employment. Employers appeared very knowledgeable of many barriers employees often face. One employer described utilizing vans to transport employees. Others reported that their staffing agencies transported employees to their businesses. No one suggested that public transportation was a viable solution in the Detroit area. Child care was not addressed in a systematic manner. In an attempt to address an individual child care problem, one employer increased the salary of a woman to offset costs. He said they had tried on-site child care but abandoned it. Others had adjusted shift times to allow for bus schedules or for taking children to day care. The smaller firms contended that the larger firms have more resources to accommodate the needs of disadvantaged and welfare workers by buying vans and raising wages.

▸ **Limited Post-Employment Support.** As noted earlier, employers who had experience with training programs did not report favorable results. Because of some difficulties working with people from these programs, employers would like continuous support after the placement. This could mean that if there is a problem, the client or the employer could call and seek advice on how to handle the situation. Such support might take the form of an external person or agency, or a strategy that increases the capacity of managers and supervisors to deal with problems directly. None of the focus group participants reported finding such support through public or private nonprofit providers. The only illustration was through staffing firms, but even there, the record appears spotty.

▸ **Excessive Turnover and Internal Human Resource Capacity.** Firms indicated that keeping a work force and upgrading the skills of the current work force were major challenges, particularly given the costs involved in turnover. Employers recognize that supervisors often lack interpersonal and managerial skills because they were promoted without training. Supervisors may just fire a person for being tardy every day without trying to learn the real problem — for example, that the bus always arrives 15 minutes after the shift begins. Owners said their intervention is necessary: If they know a worker is late every day because of the bus, they are willing to make adjustments in the shift time. Several firms noted the availability of state job training resources; however, they indicated that those resources are directed to higher-priority items such as "total quality management" training rather than sensitivity training for supervisors. In general, most participants acknowledged that their firms had little expertise to effectively manage their human resource issues. One participant noted that if his company devoted as little attention and resources to technology development as it did to human resource development, it would have been out of

business a long time ago.

▸ **Mixed Perspectives on Hiring Subsidies.** Most participants were very clear that they were much more interested in finding quality employees than in receiving tax incentives for hiring. However, participants from smaller firms who expressed a willingness to hire public assistance recipients stressed the need to receive a subsidy for their effort. It was important that a subsidy be large enough to be worth their while and that the administrative paperwork for participating in such an effort be minimal. Most of the firms had not had experience with the Work Opportunities Tax Credit or its predecessor. Those that had thought it cumbersome to administer.

▸ **Acknowledged Limitations of Minimum-Wage Jobs.** About one-third of the businesses had positions that started at minimum wage. On the one hand, participants expressed concern that low-wage positions were not intended or capable of supporting an individual solely responsible for a household's income. On the other hand, participants stressed that the competitive pressures of the marketplace kept them from paying higher wages. At least one participant argued that lower wages served to encourage entry-level employees to work harder and consider additional training and education in order to advance beyond a minimum-wage position. In general, most firms advocated promoting from within and encouraging career development. Few, however, have the resources or policies to support career development activities.

Other Issues

▸ **Hiring Welfare Recipients a Minor Item Among Work Force Issues.** As noted earlier, participants were very clear that work force issues are major issues for their operations. The term "work force," however, encompasses a broad variety of issues beyond hiring for entry-level positions. Most were also clear that while they were open to hiring welfare recipients, other work force issues were of more concern. (Several participants involved in local work force development groups noted, also, that welfare reform is competing with other publicly supported work force development initiatives that seek business participation, such as school-to-work, education reform/charter schools, and one-stop career centers.) As such, they did not have the time to find out about welfare-to-work training programs or subsidies, nor did they have the interests to pursue the matter if it proved to be time-consuming. They stressed the need to get direct information if there was hope for them to participate in welfare-to-work efforts.

▸ **Welfare Reform: Act Now While the Economy is Hot.** The elimination of the welfare safety net was characterized as an important change in the environment. When this issue was discussed, most employers said they believed that recipients who had previously calculated that not working was a better deal than working would now reach a different conclusion. Many stressed, however, that now was the time to get recipients employed, given the current strong economy, which most agreed would not last forever. Employers are in a high-demand labor situation and are willing to settle for less-qualified workers to meet their overall labor needs. The willingness to consider welfare recipients will dissipate as soon as the economy contracts and the need for labor diminishes. A number of participants noted that they felt a social obligation to assist recipients' transition into work and now was the most opportune time.

▸ **Limited Efforts to Provide Employee Assistance.** Most firms, although not all, had few resources for assisting employees with personal situations.[1] Most noted that such support was beyond the capacity of their firms. As noted earlier, firms also reported that they were unaware of any support services available from public agencies or community nonprofits. Similarly, most firms were unaware of any publicly supported ways to financially assist their employees. For example, no firm reported taking direct steps to assist employees in using the Earned Income Tax Credit (most were unfamiliar with the EITC). This even applied to several firms in which one or two employees had initiated use of the EITC withholding option.

▸ **Need For Better Information on Innovative Employment Practices.** At least one firm reported that a staffing agency was effectively using vans to transport inner-city workers to their suburban job site. Other employers were surprised to learn of this and were intrigued by the possibilities. While firms stressed the need to take action to address their work force needs, many expressed frustration at the dearth of knowledge about what they might be doing.

▸ **Stereotypes.** Most employers have the perception that welfare recipients have low self-esteem and very little employment skills or experience. One stated that "half have low skills and half don't want to work." Several in that group agreed, at least initially. With further discussion, many agreed that welfare clients might become valuable employees if given a chance to develop and mature on the job. Several employers reported positive experiences of this sort. However, the screening processes that may highlight people who could succeed with effective support and retention services are not prevalent now. There was some apparent gender stereotyping about filling certain types of jobs, which is a major issue given the largely female welfare population.

▸ **Strong Demand For Any and All Workers.** As noted earlier, demand for workers is high across all industries and for all levels of workers. Several employers noted looking for workers throughout the Detroit metropolitan area, including the inner city and the empowerment zone. At least one employer noted utilizing vans to transport 100 inner-city workers to their suburban plant, approximately 55 miles west of the city. Specific acknowledgment of these efforts was limited to representatives of minority-owned firms, although mention was made of other firms recruiting from the inner city. Whether these efforts imply that the demand for workers in an exceptionally tight labor market overcomes historical patterns of racial discrimination in hiring is unclear, particularly since most research shows that minority-owned firms have a high percentage of minority employees. Surprisingly, the issue of racial discrimination in hiring never emerged explicitly during the three sessions.

[1] Several firms reported impressive employee assistance programs such as ESL classes, GED preparation and a wellness program.

Findings from Florida Focus Groups

This piece presents key findings from a set of three focus groups that solicited information from Orlando-area businesses on their experiences, perspectives and expectations for hiring welfare recipients. The sessions were conducted July 29 and July 30, 1997 and involved groups of retail, hospitality and an overall mix of small businesses. Together, 21 distinct businesses were represented in the discussions.[1]

Except where noted, the findings represent common themes expressed across the three focus group sessions. Although each of the groups offered a distinct perspective on the overall issue of hiring welfare recipients and raised different points on this matter, there were a number of common factors that surfaced frequently throughout the sessions. These are presented below as primary issues and represent what we believe are the most salient points.

Primary Issues

Ten primary issues were identified from the discussions.

▸ **Demand For Workers But Poor Quality For Entry-Level Positions.** All of the businesses across all industry sectors reported that the economy was good and that prospects for continued growth were excellent. Also, all reported that the supply of labor to meet current job needs and future needs was insufficient, particularly for entry-level positions. Although there were mixed feelings about the quality of each firm's current work force, almost all agreed that new applicants were of a low quality, with many appearing to have significant motivational, attitude and life skill problems. Participants believed that 10 percent to 50 percent of entry-level applicants are "non-starters;" that is, they are not worthy of being given serious consideration for a job. Firms stressed the importance of pre-screening applicants, although several businesses suggested that the labor supply was so tight that they were forced to give almost any "warm body" a chance at employment.[2] All employers were open to hiring welfare recipients and, in fact, many had.

▸ **Inadequate Preparation by Current Referral System.** The vast majority of firms reported having worked at some point with a public, private or nonprofit group to obtain workers. Firms generally did not have a positive impression of any player in the referral system, although several noted some success working with community groups. Employers noted that too many workers were not sufficiently prepared to interview and begin work. Firms were clear to distinguish that they were not expecting referral agents to provide applicants with strong literacy or technical skills. They did expect, however, applicants who had been effectively screened against specific hiring criteria (e.g., drug-free, no serious criminal records), were motivated and had good attitudes about work. One focus group member noted, and was seconded by several others, that in many instances, today's labor pool is best characterized by applicants who "do not have a clue" about the world of work as opposed to having rejected the idea of work.[3] It was further noted that most who

[1] These sessions were conducted by Jeff Padden and Brandon Roberts under the auspices of Brandon Roberts + Associates. The Central Florida Jobs and Education Partnership/WAGES Coalition arranged and hosted the sessions. Enterprise Florida was the convening and facilitating agent for the effort.

[2] These were the firms reporting that only 10 percent of applicants were non-starters. They noted that the 10-percent figure for entry-level positions primarily included applicants who failed a drug test and/or had criminal records for violence.

come via the referral system have not been adequately prepared to understand the world of work.

▸ **"Work First" Not a Solution and Unfair to Business.** Firms were not able to relate current welfare policies/practices to the term "work first" (or immediate labor market attachment). Many, however, complained of the recent number of apparent welfare recipients contacting them about work who were either unprepared or uninterested in work. Several noted situations in which public agency supported job fairs resulted in little more than opportunities for recipients to get businesses to "sign their sheet," an apparent requirement to document job search efforts. All employers insisted that the public sector cannot expect the private sector to take on the burden of behavior modification for welfare recipients. Repeatedly, focus group participants stressed the need to get applicants with good "work foundations" (e.g., attitudes, motivation, transportation and child care). Firms would address skill needs.

▸ **Important Support Service Barriers.** In addition to concerns about applicant attitudes and motivation, focus group participants universally emphasized that adequate transportation and child care were significant barriers to employment. Almost all emphasized the need for government to take more action in this area; however, some were uninformed of current efforts by both the public and private sector to address these problems.

▸ **Excessive Turnover, New Approaches to Supervisor Training.** Several firms indicated that they were training supervisors in new techniques for better managing an entry-level work force with virtually no job experience and perhaps a variety of social problems. This was done in order to improve the retention rate of new employees. Some firms indicated that they lost or dismissed more than 50 percent of new hires within the first 60 days of employment. Several indicated that it costs between $2,500 and $3,000 to hire and lose an employee within the first 60 days of employment.

▸ **Reluctance to Provide Employee Assistance.** Many firms, although not all, indicated a general reluctance to establish formal programs for assisting employees with personal situations. Most noted that such support was not feasible and could not, in fairness, be offered for some employees and not others. Firms also reported that they made no systematic efforts to assist employees in using the Earned Income Tax Credit. This even applied to several firms in which one or two employees had initiated use of the EITC withholding option.

▸ **Hiring Subsidies Not a High Priority.** Most participants were very clear that they were much more interested in finding quality employees than in receiving tax incentives for hiring. Because all firms were in a position of growth, they did not need to be "bribed" in order to hire. The value of an incentive in tipping the hiring decision toward a certain class of people was not embraced by the groups. Instead, they simply repeated their desire to hire anyone who qualifies, and that the standard for qualifying continues to decline. Participants also said that some tax incentives, such as the Work Opportunities Tax Credit, are too complex and expensive to administer. The WOTC in particular was seen as largely irrelevant to small firms because of the cost of utilizing it. It appears that the credit operates as a subsidy for large

[1] It is important to note that this perspective, while supported by the other participants in the session, is not the common idea echoed by most businesses. Generally, employers hold to the stereotype that welfare recipients do not want to work, rather than being "clueless" or even fearful of rejection and failure.

firms. All agreed that the funds used to support such efforts would be better spent addressing the barriers (transportation and child care) currently confronting many entry-level workers.

▸ **No Knowledge of State-Subsidies.** No focus group participant could identify an employment incentive offered by the state of Florida. Although several had heard of the Work Pays campaign, they did not know the specifics and had not tried to learn more about state-offered subsidies.

▸ **No Clear Hiring Advantages of Small or Large Firms.** Firm size affected the ability of employers to hire welfare recipients, but for different reasons. It was generally felt that small firms had less formalized personnel policies, thus could be more flexible in working to accommodate the individual needs of new hires. Large firms were perceived as having more resources and workers; therefore, they were better able to offer support to workers and to absorb the burdens of an unproductive worker.

▸ **Low Confidence in Government Services/ Need for Greater Industry Input and Action.** Employers, in general, had limited knowledge of welfare-to-work policies and programs, and little confidence that government could adequately prepare welfare clients for the labor market. Most were interested, however, in initiatives that utilized the knowledge and interest of businesses to better prepare workers for employment. Several firms indicated the need for their industry sector to play a larger role in developing welfare-to-work policies and practices. Several firms also indicated a willingness to conduct on-site pre-employment training for workers, provided resources were available to help defray the cost of such activities. In particular, representatives of the hospitality industry have come to the conclusion that they must market their industry to potential entry-level employees. They expect that this effort will need to reference opportunities for advancement and availability of more benefits than applicants might expect. This reflects their understanding of the perceptions and misperceptions that members of the entry-level labor pool may have of their industry.

Other Issues

▸ **Impact of Worker Compensation on Entry-Level Hires.** Firms in one focus group — mixed small businesses — stressed the importance of having a trial period for entry-level workers with no experience. In particular, they noted that some industries with highly rated worker compensation positions refused to hire inexperienced workers because any accident would cause their rates to soar. They noted that the first 90 days are a vulnerable injury time for new workers, as they have yet to fully learn their job. Providing some relief from this situation — as apparently Oregon has done — would help alleviate this problem and result in more entry-level positions, particularly in more complex industries.

▸ **Special Labor Needs and Opportunities in the Hospitality Industry.** In the hospitality industry, there was great willingness to accept any applicant who was willing to come to work regularly and behave appropriately toward guests. Because of the difficulty in filling available positions, the industry competes aggressively for new employees. This situation is expected to become much more severe, as tens of thousands of new positions are created in the industry during the next few years. In fact, the 6,000 to 8,000 welfare recipients

expected to enter the labor pool will offer only modest help. While many hospitality positions are low-skill jobs, almost all employers reported starting workers above minimum wage, and many offer opportunities for benefits and family wage jobs for those who stay, even for the most basic jobs such as housecleaning. Many employers noted that the hospitality industry has the virtue of serving as resume-building opportunities for those who may have very limited work experience or tangible skills.

▸ **Mixed Focus on Career Ladders/ Advancement.** As noted earlier, several firms noted revised supervisor training programs as a way to reduce turnover. A modest number of firms also reported programs to assist entry-level workers in obtaining additional education and to help them become aware of career advancement opportunities. Most employers agreed, however, that this was an area that will receive additional attention in the future as a way to reduce turnover and increase worker loyalty. Several firms did note, however, that such benefits were of little interest to a large portion of their entry-level work force, as their primary concern was immediate cash in the pocket.

▸ **Need for Better Information on Innovative Hiring Practices.** Although temporary agencies received mixed reviews, at least one firm reported a relationship with a temporary firm that agreed to provide pre-employment training for new referrals. Although the effort was characterized as "works OK but not great," others in the group were surprised to learn of this and were intrigued by the possibilities. While firms stressed the need to take action to address their work force needs, many expressed frustration at the lack of action between themselves and their dearth of knowledge about what they might be doing.

▸ **Understand Industry-Based Differences.** The manufacturers present faced somewhat different issues than did the retailers and members of the hospitality industry. All participants were eager to find employees with good basic job orientation, but manufacturers were somewhat more concerned about basic math and reading skills. In this discussion of entry-level jobs, none were looking for technical skills.

▸ **Move Beyond Stereotypes.** The stereotype of the business owner as concerned solely about his or her bottom line was not reflected by those in the three groups. While all were focused on managing profitable enterprises, virtually all were able to look beyond short-term profitability and address broader societal issues, such as the need to strengthen the overall quality of the work force. They were also willing to acknowledge that such an objective is quite compatible with their own interests. There was some discussion of the fact that a full-time job paying $6 an hour is not sufficient to lift a family out of poverty, recognizing that additional assistance may still be necessary.

On the other hand, a few participants seemed to harbor very harsh stereotypes of welfare recipients. One said that he would much rather hire the working poor than the "scum of the earth," referring to welfare recipients. This was clearly the exception, and such stereotypes seemed not to be deeply held. In fact, during the course of the discussion, even the harshest critic of welfare recipients moved well beyond the stereotypes to address more real issues. It was clear that participants did not have much information about who is on welfare, how they got there, the problems they face or what they would

like to do with their lives. As noted earlier, one participant said that she used to think that some people simply wanted to work and some did not. She has learned, however, that a fairly large number of people she would have placed in the latter category might actually be willing to work, but "just don't have a clue" about what is involved. In her view, this opens new possibilities for addressing the problem.

▸ **Welfare Reform is Not Taken Seriously.** When confronted with the possibility of rather large numbers of welfare recipients exhausting their benefits and being forced to enter the work force, a surprising number of participants seemed skeptical that it would happen. They believed that the law would be changed or that other means would be found, but they did not seem to accept that the entitlement of welfare would really end.

Chapter 3:

Who Hires Welfare Recipients?

Introduction:

A unique feature of this research is the analysis of welfare recipient and employer interactions in four states. This effort was precipitated by the desire to better understand what types of firms hire welfare recipients, particularly relative to factors such as size, industry and wages. It was believed that knowledge on these matters could help policymakers craft more effective strategies to address the work force needs and opportunities of employers, especially in regard to their potential participation in welfare-to-work activities.

The research was designed to work with states, as the research team knew from previous work that states had the capacity to link individual welfare records with state employment wage record files to determine whether a recipient was employed within the state. Conceptually, this same linking process could reveal specific characteristics of the firm (size, industry classification), since the wage record files typically contained data on these matters. Six states — Florida, Maryland, Michigan, North Carolina, Oregon and Texas — initially agreed to participate in the study. Early on, North Carolina withdrew from the project and was replaced with Missouri.

The research proceeded in the fall of 1996 with all six states agreeing to conduct a match that was based on welfare recipients (more specifically, JOBS participants during the last half of 1995) who were employed during the first two quarters of calendar year 1996. Significant efforts were made to ensure that all six states were matching the same type of welfare recipients and during the same time period so that the individual state results could be aggregated into one data pool.

The first states submitted their matches in the spring of 1997. By Oct. 1, 1997, two states — Michigan and Texas — had not submitted useable data. A decision was made to proceed without their participation. As such, analyses were conducted with the data matches from the states of Florida, Maryland, Missouri and Oregon. From a research perspective, these states still represented good geographic diversity and industry mix; however, the data set does not include a major industrial state.

The analyses of the data involved two steps: an analysis of each state individually and an analysis of the data of all four states as one aggregate data set. In examining the characteristics of firms that have hired welfare recipients, the analysis focuses on four specific areas: firm size, industry sector, wages paid and recipient characteristics. In examining firm size and industry type, the analysis looks at both the number of firms that have hired recipients relative to a size or industry category, as well as the number of recipients who obtained work relative to a size or industry category. The analysis also is constructed to compare hiring patterns of welfare recipients with hiring patterns of the work force.

All findings from this research are presented in the report that follows, which also includes technical appendices.

Multi-State Analysis of Welfare Recipient-Employer Interactions

Recent research in the area of welfare-to-work has focused mainly in three areas. First, attempts have been made to determine the impact of welfare-to-work policies vs. economic conditions on welfare caseloads. Such work has typically shown that the economy plays a much stronger role in caseload reductions than do policy changes.[1] This sort of research is based on broad state-level trends and policy changes, but has little to do with the actual employment experience of recipients. Second, researchers have examined the barriers facing welfare recipients who attempt to make a transition to economic independence. This work has helped to create understanding of welfare-to-work from the fiscal perspective and supply side of the labor market.[2] Such a study typically relies on either interviews with recipients or examination of existing databases that reveal client characteristics and experiences. Indeed, current research commissioned by the U.S. Department of Health and Human Services on how to evaluate state welfare programs focuses almost exclusively on surveys of recipients as the recommended method.[3] Third, some work has been done to study the types of opportunities that are available to individuals with low skills and low experience, as is often the situation of welfare recipients.[4] The data for this type of work is usually based on employer interviews.

It is much rarer, however, for research to examine the actual match of a welfare recipient and an employer and, especially, to do so on a multistate basis. It would, of course, be useful to welfare-to-work programs and policymakers to develop an understanding of the characteristics of businesses that hire welfare recipients and of the recipients they hire. It would allow them to understand the kind of employment businesses offer recipients. Qualities such as length of employment, wage rate and full-time status are important in determining desirable employment. An analysis that explores this connection between welfare recipient and employer also would allow detection and examination of the extent to which different types and sizes of businesses hire welfare recipients. Knowledge of these characteristics could assist program administrators and policymakers in targeting businesses of specific sizes and types that have a greater propensity to hire welfare recipients into quality positions.

The analysis presented in this report provides the beginnings of such insight. By linking and examining welfare and employment data from four diverse states — Florida, Maryland, Missouri and Oregon — it is possible for the first time to see patterns of employment of welfare recipients and to understand them in terms of both the characteristics of the recipients and of the firms in which they find jobs. While it necessarily has significant limitations, this work breaks ground that must be more fully explored if welfare-to-work policies are to reach their full potential.

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[1] For example: Ziliak, James P., et al. *Accounting for the Decline in AFDC Caseloads: Welfare Reform or Economic Growth?* Discussion Paper No. 1151-97, Institute for Research on Poverty, November 1997 and Hoynes, Hilary Williamson, *Local Labor Markets and Welfare Spells: Do Demand Conditions Matter?* DP 1104-96, IRP, November 1996.

[2] Examples include: Pavetti, LaDonna, *Against the Odds: Steady Employment Among Low-Skilled Women*, The Urban Institute, July 1997 and Edin, Kathryn and Lein, Laura, *Making Ends Meet: How Single Mothers Survive Welfare and Low-Wage Work*, Russell Sage Foundation, New York, 1997.

[3] Gordon, Anne; Jacobson, Jonathan and Fraker, Thomas, *How to Evaluate Welfare Reform: Guidance for States*. Mathematica Policy Research, Cambridge, Mass., March 1997.

[4] Holzer, Harry J., *Employer Demand, AFDC Recipients and Labor Market Policy*, Institute for Research on Poverty, Discussion Paper No. 1115-96, November 1996.

While this report is by necessity fairly technical, a glossary is included in Appendix A. Please refer to the glossary for definitions of terms in this report that may be unfamiliar.

Key Findings

Overall, the analysis yielded several informative results. Some findings were consistent across all four states while others were unique to one state. The most important results are found below.

▸ **Aggregate Findings.**

▸ More welfare recipients found employment in firms with more than 100 employees than in smaller firms, which is contrary to employment patterns for the U.S. as a whole. Overall, 61 percent of welfare recipients were employed by businesses with 100 or more employees.

▸ Far fewer very small businesses (fewer than 20 employees) employed welfare recipients than was expected from state business patterns.

▸ For firms hiring recipients, larger firms (more than 100 employees) employed fewer recipients per worker than smaller firms. Specifically, very small businesses (fewer than 20 employees) employed one welfare recipient for every seven employees on average, while large firms (500 or more employees) maintained ratios of one recipient for every 187 employees.

▸ The pool of businesses that employed welfare recipients consisted of a substantial number of very large businesses (with up to 89,000 employees) that employed large numbers of recipients, and many smaller businesses that could employ only one or two recipients.

▸ Recipient hires were clustered in a small number of industry sectors, including the stereotypical sectors of service and retail. Specifically, business services, eating and drinking places and health services sub-sectors employed the largest proportion of welfare recipients.

▸ Personnel services firms made up a large portion of the business services sub-sector, which implies that many welfare clients could not be tracked to their ultimate employer because they were hired through employment agencies.

▸ Manufacturing businesses employed welfare recipients at a lower rate relative to their overall representation in the economy than did other firms. The manufacturing industry also displayed a greater number of large businesses that employed welfare recipients than might be expected, but these large businesses employed a smaller number of recipients than expected.

▸ Welfare recipient quarterly income was, on average, 92 percent of the income a worker would receive working full time over a three-month period at minimum wage. Further, only 37 percent of welfare recipients received quarterly earnings above this minimum-wage earnings standard.

▸ Welfare recipients in industries that employed large numbers of recipients received substantially lower earnings than those in industries that employed few recipients. An important exception is health services.

▸ Welfare recipients employed by businesses with fewer than 100 employees received comparatively higher earnings than did those employed by larger businesses, which perhaps contradicts conventional wisdom.

- Nonwhite welfare recipients were less likely to be employed by smaller firms or in the manufacturing and construction sectors. In contrast, larger firms and businesses in the service and transportation/utility sectors were more likely to employ nonwhite welfare recipients.

- **Specific State Findings.**

- Although fewer very small businesses employed welfare recipients in Oregon, more total recipients were employed by very small businesses than the work force in general. In this respect, Oregon differed significantly from the other three states.

- Alternatively, large businesses in Florida and Missouri employed a significant majority of welfare recipients, with very few jobs coming from very small businesses.

- Large businesses in Oregon hired welfare recipients at much lower rates than in all other states.

- Welfare recipients in Missouri and Oregon received higher quarterly earnings on average than did those in Florida and Maryland.

There was little difference among states in other results. This similarity among states, however, is in itself a useful finding. These findings represent the most important results for interpreting past policy success and suggesting future change. In the body of this report, details are provided on these findings as well as others. Where possible, the findings are related to current and past welfare policy.

General Methodology

A general framework is presented below for the methodology, and further details (including specific tests and data manipulations used) are included in the Technical Appendix.

In this study, four states — Florida, Maryland, Missouri and Oregon — agreed to provide a database that matched welfare recipient records with records for the employers that hired them. This provided us with a unique set of data that linked welfare recipient characteristics with employer and job characteristics. The analysis of that unique database is presented as a foundation from which individual states can begin to assess their welfare-to-work programs and which federal agencies may also find useful.

Each state matched Job Opportunity and Basic Skills (JOBS) program records from the last half of 1995 with Unemployment Insurance (ES 202) records from the first two quarters of 1996 (see the Glossary for an explanation of these and other terms). That time frame allowed for a lag during which people may have found employment upon leaving the JOBS programs, although some may have been employed prior to leaving the program. Only the matched records were analyzed by this study. It is important to note that data did not provide information on how recipients found employment. The JOBS program may or may not have provided meaningful assistance for this process. Because all information on welfare recipients came from JOBS databases, the terms "JOBS recipient" and "welfare recipient" are used interchangeably throughout this report. While not all welfare recipients participated in the JOBS program, all JOBS participants are welfare recipients. JOBS participants are an important cohort for study given that the new welfare law imposes work requirements on most recipients.

For more discussion on this issue, please see the Technical Appendix.

Upon receipt of those data sets, they were aggregated into the first multistate database that matches a group of welfare recipients with their employers by firm size and type, which is referred to in this report as the project database. Because the ability to conduct those matches was limited among states, only a few states in the nation had the ability to participate in this study. The states agreeing to participate were selected for their ability to efficiently conduct the match between different agencies and by their diversity in their geography and economies. The original states selected included Michigan, Florida, Maryland, North Carolina, Oregon and Texas. After a few months, North Carolina withdrew from the project and was replaced by Missouri. After a year of participation and full cooperation from the Michigan Jobs Commission, the Michigan Employment Security Agency was unable to deliver matched records that met the specifications, and did not have the capacity to resolve the difficulties. Texas was dropped from the project after having promised for more than a year to provide appropriate data. Thus, it was possible to carry out an analysis of four states: Florida, Maryland, Missouri and Oregon. The data from those four states included a wide range of matched records (546 for Oregon, 8,057 for Missouri, 8,772 for Maryland and 38,164 for Florida) and data characteristics.

States were asked to provide, at a minimum, a unique identifier for both the welfare recipient and the employer. This numeric identifier in most cases was a pseudo-identification number in order to ensure confidentiality. The use of a unique identifier allowed examination of whether single welfare recipients had multiple jobs in one quarter. Identifiers also allowed observation of the number of welfare recipients a particular business employed. States also provided welfare recipient characteristics that included age, education, race and the date they exited the state's particular JOBS program. Some states were able to provide additional information such as gender, marital status, number of dependents and whether they had previous work experience. However, because not all states could provide data on all of these characteristics, only the common characteristics were used in the cross-state analysis.

Because most welfare recipients are female, it was assumed that women constituted the largest percentage in the databases. The gender split in the Oregon data set (the only state to include gender information) was 80 percent women and 20 percent men. Thus, an extensive gender analysis of the jobs welfare recipients find was beyond the scope of this research. This does not mean that gender differences should be ignored. The gender issue may have a role in the types of jobs that welfare recipients find. Retail and service-related jobs such as eating and drinking places, business services and health services are typically female-dominated, while construction and manufacturing businesses are usually male-dominated. If the high-paying, full-time jobs are in manufacturing and construction industries, welfare recipients need to be trained for them, and employers need to be convinced to seriously consider hiring women.

Education was considered less reliable than other recipient characteristics by the participating states because that data is often based on self-reported information rather than on objective tests. For example, a welfare recipient may have told a caseworker she completed high school, but her competency may reflect only a third-grade level, or she may have left school after the third grade. The education variable does not reflect aptitude for job performance or serve as an indicator of a welfare recipient's marketability.

However, education was included in our analysis because it was still the best available indicator of basic skills differences.

The business information that states provided included employment size, industry type or SIC code and quarterly earnings information. For the analysis, employment size was classified into four categories in order to compare the size categories with state summary data. Business size classifications included the following:

- Very small – fewer than 20 employees
- Small – 20-99 employees
- Midsize – 100-499 employees
- Large – 500 or more employees

Unless otherwise noted, references to business size in this report refer to these categories.

Industry type was examined by one- and two-digit SIC code. The one-digit codes aggregate businesses into 10 classifications, while the two-digit codes subdivide those classifications into more specific industry sub-sectors.

For comparison data, state summaries of ES-202 data were used, which were compiled by each state's employment security office. That data was used to compare firms that employed welfare recipients with the general business patterns in each specific state and the nation as a whole. That allowed comparisons between welfare recipients and the general population to see if there were differences in hiring patterns with respect to firm size and type. The goal was to obtain the most recent summaries available from each state that supplied us with welfare data. Because those summaries were used for comparison, it was expected that the welfare data would follow state trends. Therefore, findings from the welfare data that differed from the comparison data were considered to differ from expected findings in the report.

A more accurate comparison would have been to examine the welfare data with data on business hiring patterns, rather than total employment. This would have provided for a more direct comparison between the welfare hiring patterns and each state's overall hiring patterns for the same time period. However, data on hiring patterns is not readily available. Data of this type would enhance analyses of the type presented in this report. For further details on the actual summary data, please refer to the Technical Appendix.

While it was possible to use state summaries of ES-202 data for most comparisons in the analysis, it was not possible to obtain cross-tabulations of business size and industry characteristics from all states. Therefore, County Business Patterns (CBP) data from 1994 was used to compare with cross-tabulations of welfare data. The 1994 data set was the most complete and recent available. Using CBP data for comparison presented a significant problem, however. CBP tracks businesses as specific geographic establishments, while ES-202 data rolls many establishments into aggregated firms. For example, a fast-food chain is one firm with many smaller establishments. It was not possible to determine precisely the degree to which establishment and firm measurements differ. However, it is known that, among the four states in this study, there were between 14 percent and 17 percent fewer firms than establishments reported in 1994. Most of that difference was found in large businesses, with very little difference between small firms and small establishments.[5] Therefore, CBP data would tend to understate the proportion of large businesses in each state. For more detail on this issue, please refer to the Technical Appendix.

Analyzing quarterly earnings data for each of

5 Differences taken from data reported by the U.S. Census Bureau, "Statistics of U.S. Businesses." <http://www.census.gov>

the top sub-sectors allowed examination of individual earnings in the sectors that hire the most welfare recipients. Each of the four states reported quarterly earnings totals for each welfare recipient. Those earnings totals combined not only the wage rate of a given job but also the hours worked and term of employment during the quarter into one figure. In order to compare differences between classifications, earnings were assessed relative to a "federal minimum-wage earnings standard." That standard served as a measure of a minimum income with which to compare the earnings of welfare recipients. The standard is equivalent to the amount one would earn working full time for a full quarter at the federal minimum-wage rate (as of March 1996), which amounts to $2,218.50. Two measurements were created for earnings comparisons: relative earnings (percent of the minimum-wage earnings standard) and minimum-wage proportions (percent of welfare recipient jobs above the minimum-wage earnings standard). Thus, all states could be compared to a fixed standard. Earnings above that standard represent either high wages or full-time, relatively steady work or a combination of the two.

Analytic Framework

In the first portion of this report, the cross-state analysis is discussed. That analysis is followed by a similar analysis of each of the four specific states. Each analysis generally comprises four components. They include the following characteristics:

- **Business Size.** Analysis and comparisons of number of businesses, number of employees and business hiring rates among four employment size classifications.

- **Industry Sector.** Analysis and comparisons of number of businesses, number of employees and business hiring rates among one- and two-digit industry classifications.

- **Earnings.** Analysis of quarterly earnings relative to the minimum-wage earnings standard by business size, general industry and industry sub-sector characteristics.

- **Welfare Recipient Characteristics.** Analysis and comparisons of welfare recipient demographic information by size and industry sector.

In the cross-state analysis, an additional component — the *size-industry cross-comparison* — is included. This section includes analysis of the distribution patterns of businesses and employees when business size and industry characteristics are combined.

Finally, the conclusions are presented. They include a summary of key findings and recommendations for further research. While this study was limited by important methodological challenges, it represents a useful starting point for a type of analysis essential to the welfare-to-work environment. It is hoped that others will advance what was begun.

Cross-State Analysis

This report begins with an examination of the similarities and differences among the four states with respect to business employment size and industry classification. A presentation of the aggregate findings of the analysis is also provided.

Although the cross-state analysis builds off the single-state analyses, it is presented first as a way to summarize the most important results. This analysis mirrors the structure of each single-state analysis. Findings regarding the size of firms that employed welfare recipients are presented first, followed by an analysis of the industry sector of the same businesses, then an analysis of earnings metrics and, finally, a discussion of the demographic characteristics of welfare recipients who were employed by businesses of different sizes and industry types. Where single-state results are discussed, please refer to the state-specific analysis for details.

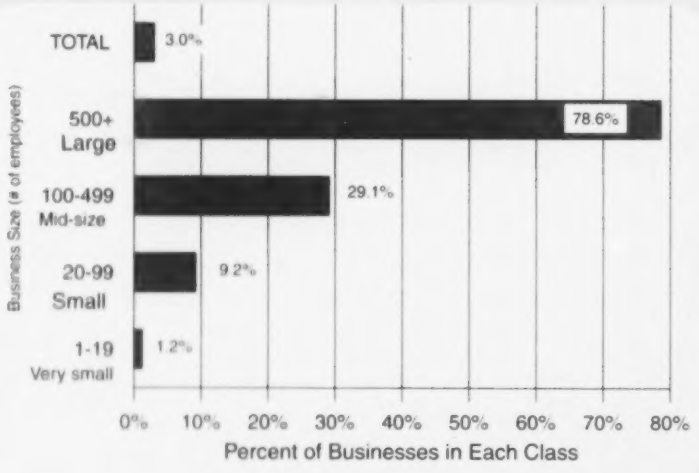
An additional step was taken to analyze all four states together to represent a sample of the national JOBS population. To do this, the data were weighted such that differences in data set size were accounted for and such that the data sample would reflect the national JOBS population. Please refer to the Technical Appendix for more details on the weighting methodology used.

Business Size

Throughout this report, analysis of welfare-to-work business patterns is presented according to business employment size, class and industry sector. Patterns are discussed in both areas with respect to the number of businesses hiring welfare recipients, as well as the number of recipients employed.

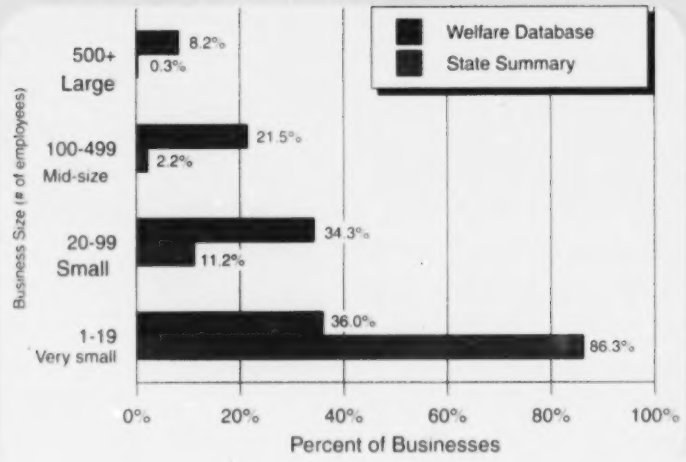
▸ **Number of Businesses Hiring.**
The likelihood of a business employing one or more welfare recipients was strongly related to the size of the firm. As indicated in Figure 1, nearly 80 percent of businesses with more than 500 workers employed at least one welfare recipient. At the other end of the spectrum, only 1.2 percent of very small firms did so. While this clear pattern likely reflects actual employment trends, the percentages are almost certainly understated. This is because the only welfare recipients included in the data set were those on the rolls for the second half of 1995. Other employed recipients are not

Figure 1:



Aggregate percentage of businesses that employed welfare recipients in the first or second quarter of 1996 by employment size class.

Figure 2:



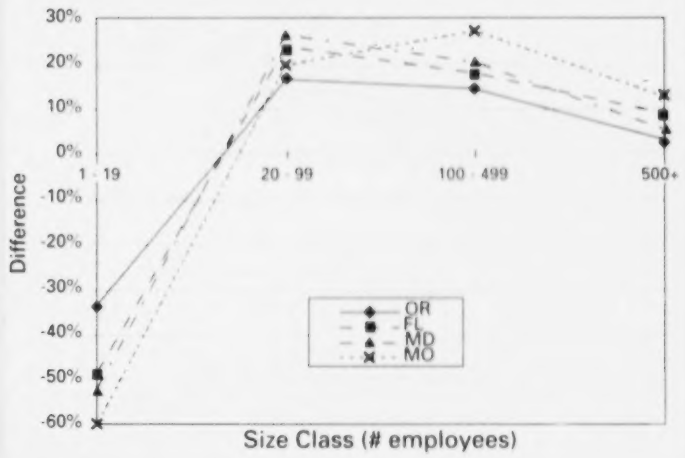
Aggregate distribution of businesses by employment size class.

reflected in the percentages reported in this study.

A definite trend was found in the size of businesses that employed welfare recipients. On the whole, recipients were employed by fewer small businesses and more large ones than would have been predicted by general business trends. As shown in Figure 2, 36 percent of businesses that employed welfare recipients had fewer than 20 employees. By contrast, 86.3 percent of all businesses in the state summaries were of this same size class. On the other end, 29.7 percent of businesses that hired welfare recipients employed 100 or more workers. This represents about a 27-percent difference from aggregate state summary data.

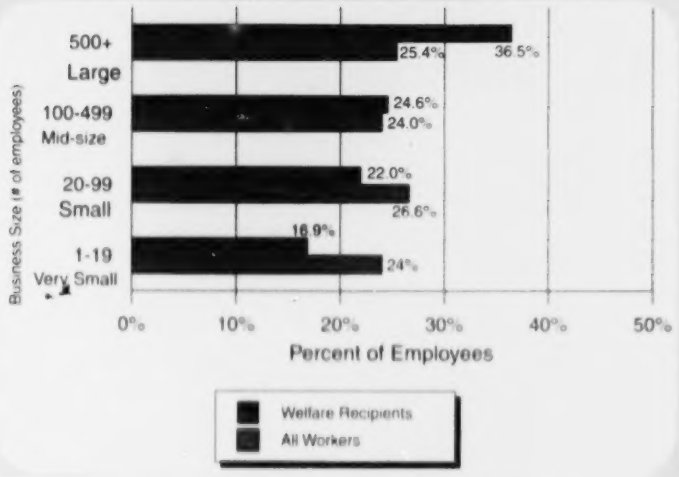
Each state showed similar trends in the size of businesses that hired welfare recipients. Figure 3 compares the relative difference in distribution of businesses between each state's welfare and state summary data. Thus, a negative value indicates that the welfare percentage was smaller than the state summary percentage in the given size class, while a positive value reflects a larger welfare percentage. As this figure indicates, there is little difference among states. The tight consistency of results indicates that the aggregate finding that proportionately few very small businesses hired welfare recipients was supported by data from all four states.

Figure 3:



Relative differences between welfare and state summary business distributions by employment size class.

Figure 4:

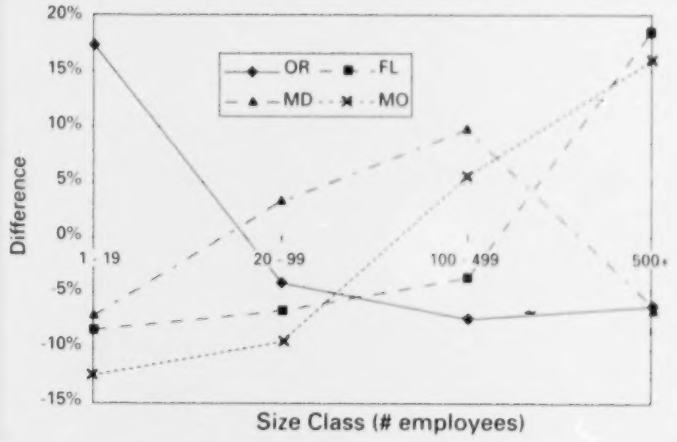


Aggregate distribution of welfare hires and employees by employment size class of business.

▸ **Number of Employees Hired.**
When the same data were analyzed by number of total welfare recipients and employees, the same general trend away from very small businesses and toward large ones was found. It logically follows that if fewer very small businesses hire welfare recipients, fewer recipients in total would be employed by these businesses. That proved to be the case. As shown in Figure 4, 36.5 percent of welfare recipients in the project database were employed by businesses with more than 500 employees. By contrast, only 25.4 percent of employees in the state summaries were in businesses of the same size class. That represents more than an 11-percent difference. Overall, while the aggregate of state summaries showed a relatively even distribution in general, across size classes, the project database showed increasing numbers of welfare recipients as one moved from very small businesses up through large ones.

The trend in number of employees, however, was not as consistent across states as it was with number of businesses. In fact, all four states show different trends as one moves up through business size classes (Figure 5). Although all differences between welfare and state summary data are significant, most of the welfare proportions differ from state summary proportions by 10 percent or less. There are, however, some important exceptions. While about 17 percent more welfare recipients than

Figure 5:



Relative differences between welfare database and state summary employment distributions by employment size class for each state.

expected were employed in very small businesses in Oregon, the other three states showed between 7 percent and 12 percent fewer welfare recipients in the very small size class than expected.

The Oregon trend was surprising because it indicated that although there were fewer very small firms than expected hiring welfare recipients, those very small firms still employed a larger proportion of recipients than expected. One part of the explanation is that although Oregon followed the trend away from very small businesses, it did so to a smaller degree. While the aggregate proportion of very small businesses in the JOBS sample was 36 percent, it was 52.9 percent in the Oregon sample.

The second major difference in welfare employment by size class was in the proportion of recipients in large businesses. Compared to state summary data, Florida and Missouri had much larger proportions of welfare recipients employed in large businesses (18 percent and 16 percent differences, respectively). At the same time, Oregon and Maryland had fewer recipients in businesses of that size (both were 6 percent lower than state summary data).

▸ Hiring Rates.

To help examine differences in the number of welfare recipients businesses employ, two measures of hiring were examined. The first measure, the hiring rate, was simply the number of welfare recipients in the project database that were employed by each business. For the second measure — the employee-to-recipient ratio — the overall number of employees was divided by the number of welfare recipients. That was done to account for business size. For a more thorough explanation of the measures, please refer to the Technical Appendix.

The overall aggregate hiring rate for businesses that employed at least one welfare recipient from the project database was 2.7 welfare recipients per firm. The rate ranged from 1.2 recipients per very small firm to 12.4 recipients per very large firm (Table 1). If one were to examine all businesses, including those that employed zero recipients, the rates would likely be much lower.

Table 1:
Aggregate Hiring Rates by Business Size Class

Business Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Very Small (1-19)	1.2	7.2
Small (20-99)	1.7	29.3
Midsize (100-499)	3.1	72.2
Large (500-plus)	12.4	187.2
ALL BUSINESS SIZES	2.7	132.6

When employee-to-recipient ratios were examined, it was found that very small businesses had about seven employees for every welfare recipient, while the ratio for large businesses was one welfare recipient for every 187 employees.[5] That showed that welfare recipients were likely to have a greater impact on very small businesses than they would have on large ones. In essence, it appears that large organizations could more easily absorb additional welfare recipients.

Across states, some important differences were discovered. As was reported earlier, very small businesses in Oregon employed proportionately more welfare recipients than the other three states. One possible reason for this is that there was little difference between the hiring

[5] The direction of this trend is supported by a recent analysis by the United States Small Business Administration, which used census data to demonstrate that welfare recipients constitute a larger fraction of the work force of smaller firms than of larger firms. *Characteristics of Small Business Employers and Owners*, U.S. Small Business Administration-Office of Advocacy, Washington, DC, January 1998.

rates in very small firms and those in large firms in Oregon. The Oregon sample differed from the aggregate figures above such that very small firms hired an average 2.1 welfare recipients per firm and large firms employed only 4.2 recipients per firm. That suggested that the hiring rate was lower for large firms in Oregon than elsewhere. Further, while the aggregate measure of employees per welfare recipient in large businesses was about 187, that same measurement in Oregon was about 403 employees per welfare recipient.

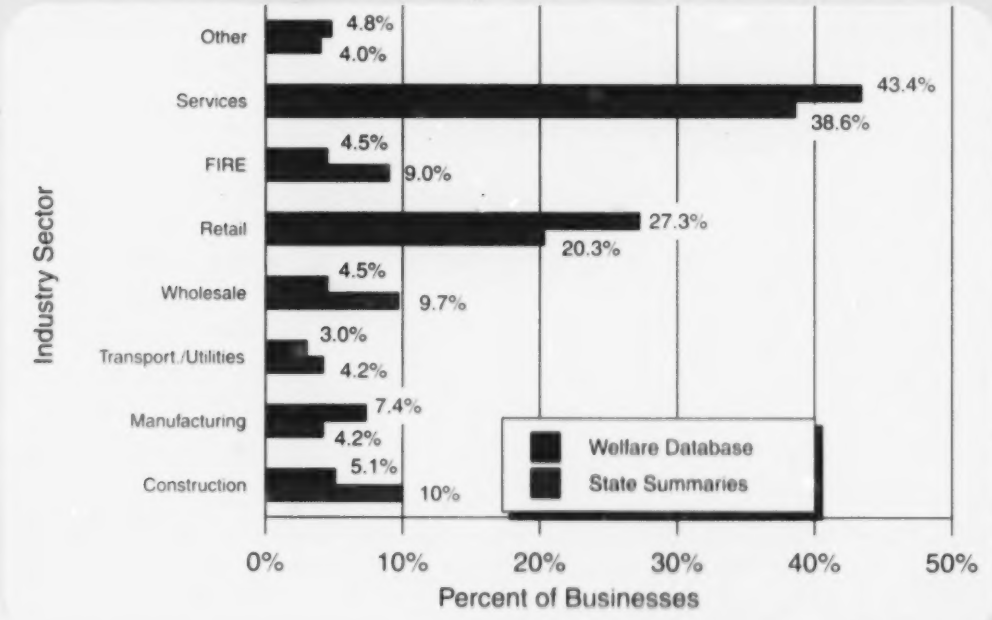
Industry Sector

An important trend was discovered when businesses were examined by industry sector. Figure 6 shows the number of businesses hiring welfare recipients, and Figure 7 shows the number of recipients employed. Based on those figures, the 10 major industry sectors can be separated into three groups. When the project database data was compared to overall state business and employment summaries (state summaries), some industries showed:

a) Greater proportions of businesses and employees
b) Lower proportions of businesses and employees
c) A higher proportion of businesses but a smaller proportion of employees

Overall, the service, retail and "other" sectors were in the first group (a). That result indicated that these sectors were more receptive to welfare recipients than others. Among that group, the service and retail sectors hired a substantial majority of welfare recipients, accounting for fully 71 percent of the businesses and 80 percent of welfare hires. These welfare figures are significantly larger than those predicted

Figure 6:



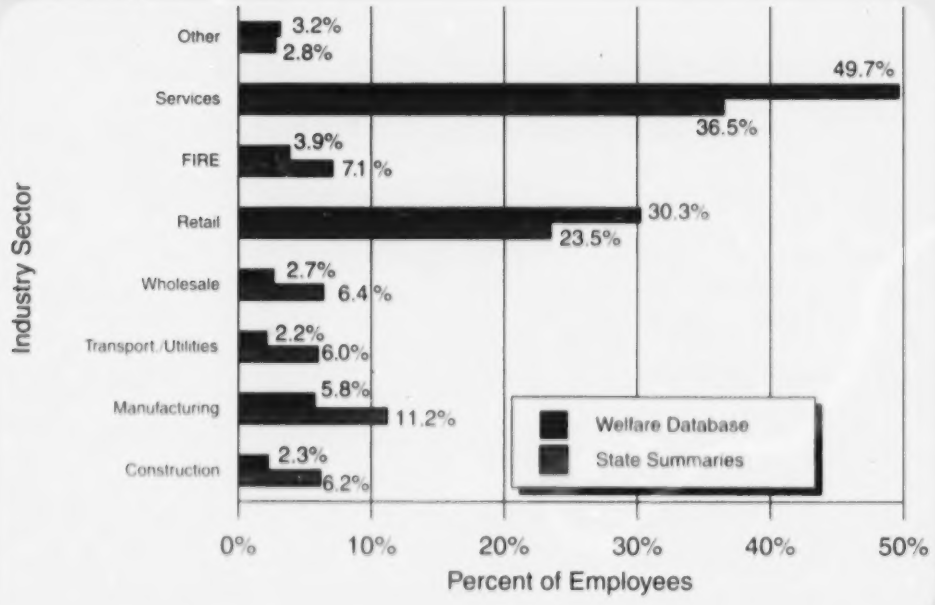
Aggregate distribution of businesses by industry sector.

by state summary data. Most other sectors belong in the second group (b), which shows a smaller degree of welfare recipient hiring. Finally, only the manufacturing sector belongs in the third group (c). In this sector, a larger proportion of businesses hired welfare recipients, but those that did hired relatively fewer recipients than did those in other sectors.

Comparing these results across all four states, it was found that the states were much more similar than they were when state characteristics were examined by business size. The retail and service sectors dominated the hiring in all states; manufacturing showed the same consistent trend of more businesses and fewer welfare hires; and most other sectors followed the aggregate trends. The relative representation of sectors across the states was consistent as well.

▸ **Hiring Rates.**
In all states, there were more manufacturing businesses than expected that employed welfare recipients, but significantly fewer welfare recipients were employed by those manufacturing firms. Because manufacturing firms also tend to be larger than other types of businesses, it was surprising to find that result. While retail and service businesses hire welfare recipients at high rates for their size, manufacturing firms do not (see Table 2). Manufacturing businesses may be less suited to low-skill, low-experience people than businesses in other sectors, or they may be less tolerant of employee problems. Another explanation is that the jobs in manufacturing firms do not turn over as quickly as those in retail and service industries. Because manufacturing jobs tend to pay well and include benefits, workers are far less likely to leave them voluntarily than they are jobs in less-rewarding fields. Many workers

Figure 7:



Aggregate distribution of welfare recipients and total employees by industry sector.

aspire to secure work in manufacturing and make career moves when the opportunity arises.

Hiring rates for all industry sectors can be found in Table 2, along with the average and median sizes of businesses in each industry. This table presents the major industries, along with their size and number of welfare hires. Median size represents the employment level at which half the businesses are above and half are below. One should note that all average sizes are considerably larger than median sizes, suggesting that in all industries there are a few very large businesses and many smaller businesses. In fact, on further examination, it was found that the distribution of business size was far from normal. In essence, there were very many firms with fewer than 100 employees, along with a few but consequential number of businesses with employees numbering in the tens of thousands. That served to make the average business size quite large, while showing a much smaller median size. See the Technical Appendix for further discussion.

▸ **Hiring by Industry Sub-Sector.**
For all states, the industry sectors were subdivided into sub-sectors to better determine what types of businesses employed welfare recipients. Overall, two sub-sectors stood out above the others. In all states, eating and drinking places and business services were among the three top sub-sectors measured by percent of total welfare recipients employed. In aggregate, those two sub-sectors accounted for about 34 percent of welfare employment (Table 3).

It is also interesting to note the size of those sub-sectors. All of the top 10 hiring sub-sectors averaged over 100 employees in size. The smaller median, though, indicates that there was a large range of business sizes even within these smaller sub-sectors. Therefore, it is difficult to generalize very much about what a specific firm within a given sub-sector may look like.

Additionally, the business services sub-sector was made up in large part (about 80 percent) of personnel supply services. That sub-category

Table 2:
Aggregate Hiring Rates for Industry Sectors

Industry	Average Size (# of employees)	Median Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Services	372.9	67.0	3.1	121.0
Retail	385.3	35.0	3.0	126.8
FIRE	650.2	64.0	2.3	280.2
Manufacturing	301.7	93.0	2.0	151.0
Transportation/Utilities	582.7	75.0	1.9	300.1
Wholesale	156.4	35.0	1.6	99.6
Agriculture	136.1	31.0	1.5	89.9
Mining	445.0	8.0	1.5	300.4
Construction	91.2	19.0	1.2	75.7
ALL INDUSTRIES	359.6	48.0	2.7	133.7

**Ranked by the number of welfare hires per business*

Table 3:
Top Aggregate Industry Sub-Sectors (by percent of welfare hires)

	Welfare Hires			Total Business Employment	
Industry Sub-Sector	**No.**	**Percent of Total Hires**	**Rank**	**Mean**	**Median**
Business Services	5,162	19.0	1	352.5	85.0
Eating & Drinking Places	4,000	14.7	2	199.4	35.0
Health Services	2,934	10.8	3	423.6	125.0
Food Stores	1,495	5.5	4	844.0	35.0
Social Services	1,324	4.9	5	103.2	35.0
Hotels/Lodging	1,239	4.6	6	191.5	46.0
General Merchandise Stores	984	3.6	7	2,444.2	357.9
Educational Services	922	3.4	8	2,390.2	503.7
Miscellaneous Retail	678	2.5	9	306.1	20.0
Real Estate	656	2.4	10	669.1	39.7
Personal Services	533	2.0	11	61.7	14.0
Auto Dealers/Service Stations	505	1.9	12	151.5	37.8
Engineering/Management Services	448	1.6	13	304.3	44.6
Nondurable Wholesale Trade	383	1.4	14	193.5	45.6
Food & Kindred Products	367	1.4	15	495.6	173.4
Special-Trade Contractors	362	1.3	16	52.6	19.0
Durable Wholesale Trade	354	1.3	17	120.1	26.4
Apparel & Accessory Store	343	1.3	18	318.2	43.0
Amusement/Recreation Services	300	1.1	19	534.8	75.0
Agricultural Services	237	0.9	20	131.6	31.0

Note: Rank is based on the number of welfare hires in 77 industry sub-sectors. Only the top 20 hiring sub-sectors are shown. Those 20 account for 85.4 percent of total welfare hires.

makes up 10 percent or more of the total welfare hires in all four states. Because those service agencies were not the ultimate suppliers of work for those welfare recipients, it is not possible to track industry and size classifications for a large number of welfare jobs. However, the effect of removing welfare recipients employed in the business services sub-sector was tested and it was found that data trends were not changed significantly.

▸ **Size-Industry Cross-Comparison.** To further examine the hiring patterns, the distribution of businesses and welfare hires was analyzed across size and industry sector together. That was done to determine if there were hiring

trends specific to given industries. Because not all of the four states were able to provide cross-comparison data from ES-202 files, those distributions were compared to those found in the 1994 County Business Patterns (CBP) for the entire United States. Overall, there was not much difference between the ES-202 and CBP data when examined by industry or business employment size. The data trends were constant using either comparison data set, except for trends in Maryland business size. For a discussion on the use of CBP data, please refer to the Technical Appendix. In this analysis, business size was divided into two categories: smaller (fewer than 100 employees) and larger (100 or more employees).

▸ **Business Distribution.**
Confirming our earlier findings, it was discovered that there were substantially more large businesses in all 10 industry sectors than were expected from CBP data (Table 4). More than 40 percent of the businesses were in the larger size class in four of the 10 industry sectors. On average, the industries differed from CBP by 35 percent. That confirmed that fewer small businesses than expected are hiring welfare recipients. Additionally, several industries were represented much more strongly by large businesses. The manufacturing, transportation/utilities and service industries all differed from their expected distributions by about 40 percent. For the service sector, the larger business representation was 20 times greater than it was in the general business population. On the other side, construction and mining industries both differed from their expected distributions by less than 25 percent.

▸ **Employment Distribution.**
Differences in the employment distribution were much less striking and more variable. While more than 80 percent of welfare recipients in mining and construction worked for smaller businesses, fewer

Table 4:
Aggregate Business Distribution by Industry and Size

	Businesses Hiring Welfare Recipients		County Business Patterns	
Industry	Fewer than 100 employees	100 or more employees	Fewer than 100 employees	100 or more employees
Agriculture	71.4%	28.6%	99.6%	0.4%
Mining	71.4%	28.6%	96.0%	4.0%
Construction	83.2%	16.8%	99.3%	0.7%
Manufacturing	50.0%	50.0%	90.4%	9.6%
Transportation/Utilities	54.6%	45.4%	96.7%	3.3%
Wholesale Trade	72.1%	27.9%	98.5%	1.5%
Retail Trade	70.1%	29.9%	98.3%	1.7%
FIRE	59.1%	40.9%	98.6%	1.4%
Services	58.0%	42.0%	97.9%	2.1%
Unclassified	67.6%	32.4%	100.0%	0.0%
ALL INDUSTRIES	62.8%	37.2%	97.8%	2.2%

Table 5:
Employment Distribution by Industry and Size

	Businesses Hiring Welfare Recipients		County Business Patterns	
Industry	Fewer than 100 employees	100 or more employees	Fewer than 100 employees	100 or more employees
Agriculture	60.5%	39.5%	85.6%	14.4%
Mining	80.0%	20.0%	46.1%	53.9%
Construction	81.2%	18.8%	78.9%	21.1%
Manufacturing	41.2%	58.8%	29.8%	70.2%
Transportation/Utilities	40.3%	59.7%	46.2%	53.8%
Wholesale Trade	64.1%	35.9%	73.5%	26.5%
Retail Trade	41.0%	59.0%	76.1%	23.9%
FIRE	36.6%	63.4%	59.3%	40.7%
Services	33.4%	66.6%	50.0%	50.0%
Unclassified	53.2%	46.8%	95.9%	4.1%
ALL INDUSTRIES	39.0%	61.0%	55.3%	44.7%

than 40 percent worked for businesses of that size in the FIRE and service sectors. The differences with CBP data ranged from 34 percent more welfare recipients hired into small businesses by the mining industry to 35 percent more welfare recipients hired into large businesses in the service industry (Table 5). On average, industries employed 16 percent more welfare recipients in large businesses than was anticipated from CBP data. The agriculture, transportation/utilities, wholesale trade, retail trade, FIRE and service firms reflected more welfare recipients in large businesses, while mining, construction and manufacturing industries had a higher percentage of recipients in small businesses than were expected. Again, the manufacturing industry is intriguing in that it displayed 40 percent more large businesses hiring 11 percent fewer welfare recipients than expected.

Earnings

Earnings data were examined in several ways. Each state was first examined to compare the mean quarterly earnings between jobs in businesses of different sizes and types. For the aggregate analysis, and also in each state analysis, a relative measure was developed that served as a proxy for progress toward self-sufficiency. That measure was based on the federal minimum wage. A "minimum-wage earnings standard," which was the earnings that one would receive if that person worked a full quarter, full time, at the minimum-wage rate, was calculated.[7] For an entire quarter, the standard was calculated to $2,218.50. The standard is roughly 55 percent of the poverty level for a family of four.[8]

The actual earnings relative to the standard

[7] During the time that employment data was reported (January to June 1996), the federal minimum wage was $4.25 an hour.

[8] Based on the weighted average poverty threshold for a four-person household in 1996, which was $16,036 per annum. Source: U.S. Census Bureau, Current Population Survey.

were then measured such that the earnings were listed as a percentage of the minimum-wage earnings standard. As an additional measure, the percentage of welfare recipients who had combined earnings above the standard was calculated. In addition to overall mean earnings, earnings from jobs within size and industry categories were also calculated. Thus, while recipients can have overall earnings from several jobs, the earnings within business categories reflect average earnings for single jobs. The minimum-wage earnings standard was used as a way to set a meaningful baseline measure with which to compare actual job earnings. For additional discussion about the formulation of the minimum-wage earnings standard or differences between welfare recipient and job earnings, please refer to the Technical Appendix.

Together, the earnings measurements combine three aspects of a given job: its tenure, the full-time or part-time status and the wage rate. Additionally, for recipients, the earnings may come from multiple jobs. Thus, earnings that met the minimum-wage earnings standard came from steady, full-time positions, or the wage rates are well above the minimum. Either of those situations would be desirable for welfare recipients. On the other hand, those below the standard were either employed for a short duration (less than a full quarter) or they were working only part time. Neither of these situations would seem to provide for a means to work out of poverty.

Overall, the average welfare recipient employed received earnings equal to 92 percent of the earnings standard. Only 36.7 percent of those recipients employed received earnings above the standard. Earnings from jobs with larger businesses (100 or more employees) were significantly lower than those in firms with fewer employees. While welfare recipient jobs in larger firms averaged 69 percent of the minimum-wage earnings standard with 23 percent above the standard, those in smaller firms (less than 100 employees) averaged 79 percent of the standard, with 27 percent above it. Apparently, slightly more than one-quarter of the jobs provided stable, full-time employment. It also was apparent from the data that many recipients held multiple jobs in each quarter.

Focusing on industry sectors, it was found that retail firms provided significantly lower earnings than all other industry sectors. Those firms provided earnings at 54 percent of the minimum, with only 16 percent of welfare recipient jobs clearing the minimum-wage earnings standard. Alternatively, the manufacturing, construction and transportation/utility sectors provided jobs with significantly higher earnings. All averaged above the standard (i.e., more than 100 percent of the standard) with more than 40 percent of jobs above the standard.

Table 6 lists the earnings measures for the 20 top hiring industry sub-sectors. The first point to note is that six of the 10 top hiring sub-sectors paid within the bottom 10 when ranked by quarterly earnings.[1] The best among the top 20 sub-sectors were special-trade contractors, wholesale trade of durable goods and health services. Those three sub-sectors showed mean earnings near or above the earnings standard and provided more than 35 percent of welfare recipients employed with earnings above the standard. The results suggest that the health service sector may be a good place on which to focus because it provided a large number of jobs (about 11 percent of total) and provided relatively high earnings.

To emphasize this point further, the number of jobs for welfare recipients in each sub-sector

[1] The earnings for eating and drinking places and hotels/lodging sub-sectors may be artificially low because the minimum wage was lower for service staff who can collect tip earnings.

Table 6:

Quarterly Earnings Measurements for Top Industry Sub-Sectors (by percent of total welfare hires)

Top Hiring Industry Sub-Sectors	Quarterly Earnings				
	Mean	Rank*	Median	Mean % of Earnings Standard	% Above Earnings Standard
Business Services	$1,052.21	75	$ 527.00	47.4%	15.6%
Eating & Drinking Places	$ 934.79	77	$ 605.07	42.1%	10.3%
Health Services	$2,005.53	42	$1,562.05	90.4%	37.6%
Food Stores	$1,124.54	73	$ 771.58	50.7%	16.5%
Social Services	$1,758.80	48	$1,389.15	79.3%	31.5%
Hotels/Lodging	$ 985.11	76	$ 653.25	44.4%	12.0%
General Merchandise Stores	$1,069.21	74	$ 661.04	48.2%	14.5%
Educational Services	$1,766.10	47	$1,220.20	79.6%	27.1%
Miscellaneous Retail	$1,288.14	67	$ 935.00	58.1%	21.4%
Real Estate	$1,426.07	62	$ 926.19	64.3%	22.4%
Personal Services	$1,302.28	66	$ 923.40	58.7%	19.7%
Auto Dealers/Service Stations	$1,757.14	49	$1,197.59	79.2%	29.6%
Engineering/Management Services	$1,569.45	57	$ 886.13	70.7%	23.0%
Nondurable Wholesale Trade	$1,614.96	55	$1,039.50	72.8%	25.7%
Food & Kindred Products	$1,816.23	46	$1,172.06	81.9%	32.3%
Special-Trade Contractors	$2,231.09	33	$1,427.06	100.6%	42.3%
Durable Wholesale Trade	$2,197.96	36	$1,636.50	99.1%	39.5%
Apparel & Accessory Stores	$1,140.84	72	$ 747.99	51.4%	16.1%
Amusement/Recreation Services	$1,452.38	61	$ 899.07	65.5%	22.6%
Agricultural Services	$1,349.04	65	$ 785.09	60.8%	22.7%

*Note: *Ranking based on mean earnings for 77 industry sub-sectors. Only the top 20 hiring sub-sectors are shown.*

was directly compared with the average earnings in each sub-sector. A relationship was found that showed exponentially lower earnings in sub-sectors that employed more welfare recipients (Figure 8). The form of this relationship is such that while a person employed as the only welfare recipient in a given sub-sector might expect quarterly earnings of about $4,000, one hired into a sub-sector with 100 welfare recipients would expect about half that, or $1,970, and one hired into a sub-sector with 1,000 welfare recipients would expect earnings of about $1,390. Thus, the predicted earnings drop sharply when moving from one through about 250 welfare hires, but there is little further decrease in earnings as welfare hires increase from 250. Please see the Technical Appendix for more details on this relationship.

▸ Job Retention.

In addition to the amount of money that a welfare recipient made in a given job or jobs, it is also instructive to examine job retention when assessing the quality of training and employment. In this study, retention was determined by assessing the percentage of recipients who retained employment across both quarters of our examination period, with respect to the total number of recipients employed in the first quarter only.

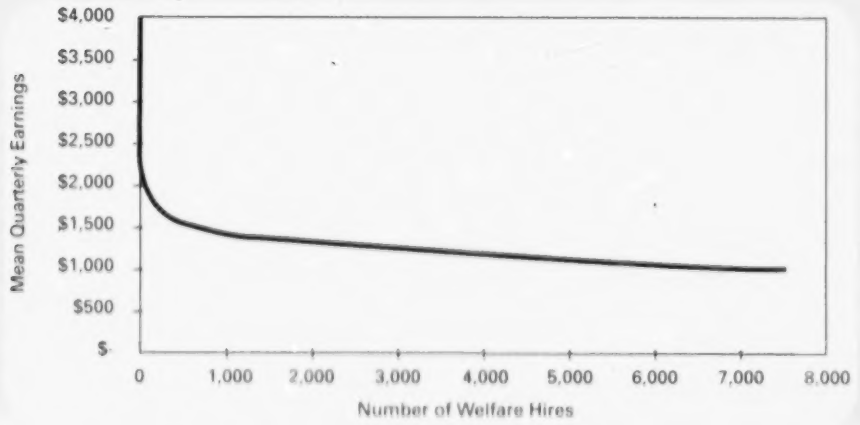
For those recipients who showed earnings during the first quarter, 83 percent also showed earnings in the second. Although many workers showed earnings in both of the two quarters for which data was collected, many were not employed during the entire period. They may have been hired late in the first quarter or may have stopped working at some point in the second quarter. Additionally, only 68 percent of recipients employed in the first quarter showed earnings from the same employer in the second quarter. These findings imply that 17 percent of recipients ceased earning income — even at the modest levels noted above — from one quarter to the next and another 15 percent apparently switched jobs during the period. The volatility of employment of these recipients reemphasizes the fact that the earnings reported above represent a best-case scenario.

Welfare Recipient Characteristics.

Industry and size characteristics of businesses were compared with characteristics on welfare recipient age, education, gender and race. To do the analysis, firms were grouped into industry sectors and further subdivided into larger (100 or more employees) and smaller (fewer than 100 employees) firms. Mean values for each welfare recipient characteristic were then compared to other groups and to the overall average. That was done to determine if firms of a particular size or type tend to hire welfare recipients with specific characteristics. In this section, only those trends found to be significant are discussed. The same procedure was used in the state-specific analyses.

It was possible to do an aggregate analysis of welfare recipient age, race and education level because those were the characteristics common to all four data sets. In order to obtain results that were statistically meaningful across all categories, the mining classification was combined with agriculture/ forestry to create a "resource extraction" classification, because there were only 19 welfare recipients who went into the mining industry.

Figure 8:



This curve illustrates the exponential relationship between the number of welfare hires and mean earnings among industry sub-sectors. Curve estimated by linear regression analysis. (r^2=0.35)

▸ **Age.**
The mean age of welfare recipients in the aggregated database was 30.1 years. Welfare recipients in very small firms were significantly older (31.0 years) than other size classes. Additionally, welfare recipients in retail firms were significantly younger (28.7 years) than all other industry sectors. Otherwise, there were no significantly different groups.

▸ **Race.**
About 51.9 percent of the welfare recipients in the JOBS population were nonwhite. There was a strong and significant relationship between business size and proportion of nonwhite welfare recipients hired. Large firms employed a welfare recipient pool that was 66 percent nonwhite, while only 40 percent of recipients hired by very small firms were nonwhite. That trend was consistent across all of the state analyses. Construction and manufacturing firms employed the fewest nonwhite welfare recipients, hiring 31 percent and 41 percent, respectively. Those figures were significantly lower than those of all other classifications. The service and transportation/utilities sectors employed significantly more nonwhites than most all other classifications, hiring 66 percent and 62 percent, respectively.

▸ **Education.**
The JOBS population averaged 10.6 years of education on the whole. There was no significant relationship between education and firm size, with averages ranging from 10.5 years for small firms to 10.7 years for midsize firms. Welfare recipients in resource extraction had significantly less education (9.3 years) than other industries. Construction and wholesale trade businesses employed welfare recipients who had less education (10.1 years) than all but two of the rest of the classifications. No other differences were significant.

Summary.
To reiterate, the important findings in the cross-state analysis include the following:

- Fewer very small firms employed welfare recipients than expected.
- Large businesses hired greater numbers of welfare recipients than expected.
- Welfare recipients made up 14.2 percent of the work force in very small businesses, while they made up only 0.5 percent of the work force in large firms.
- Smaller firms provided earnings that were 10 percent higher than those for larger firms. Similarly, the more welfare recipients that a business had the capacity to hire, the lower the earnings were likely to be.
- The vast majority (80 percent) of welfare recipients were employed by businesses in the retail and service sectors.
- The manufacturing sector was represented by a greater number of large businesses than expected, but the small manufacturing businesses employed more welfare recipients.
- There was little meaningful difference between businesses grouped by size or industry characteristics when they were compared by the average age of welfare recipients employed.
- Very small businesses and firms in construction or manufacturing employed fewer nonwhite welfare recipients than did other businesses.

State-Level Analysis

In addition to examining the four states in aggregate, more specific analyses of each state were conducted to determine similarities and differences across the diverse states. Examining each state revealed trends across all states and a few that were specific to single states. The state-level analysis was done to determine if differences in state conditions had any impact on overall hiring and earnings trends.

Important findings in the state-level analysis include the following:

- Very small businesses in Oregon employed a much larger percentage of welfare recipients than did very small businesses in any of the other states.
- Hiring rates for large businesses differed quite substantially across the states — with large Oregon firms hiring at the lowest rate and large Florida firms hiring welfare recipients at the highest rate.
- The industry breakdown did not differ much across the states, with retail and service businesses hiring a large majority of welfare recipients in all states.
- In Missouri, businesses in the health services sub-sector employed the most welfare recipients, while most of these jobs came from business services or eating and drinking places in all other states.
- Earnings for welfare recipients appeared to be somewhat higher in Missouri and Oregon, but earnings trends were similar to those in the other states.
- Demographic characteristic trends were similar across all states, with little evidence of trends by age or education and strong trends along racial lines.

In the following chapters, specific discussions are presented that detail the results from each of the four state analyses. Each chapter follows the analytical framework found in the cross-state analysis.

Florida

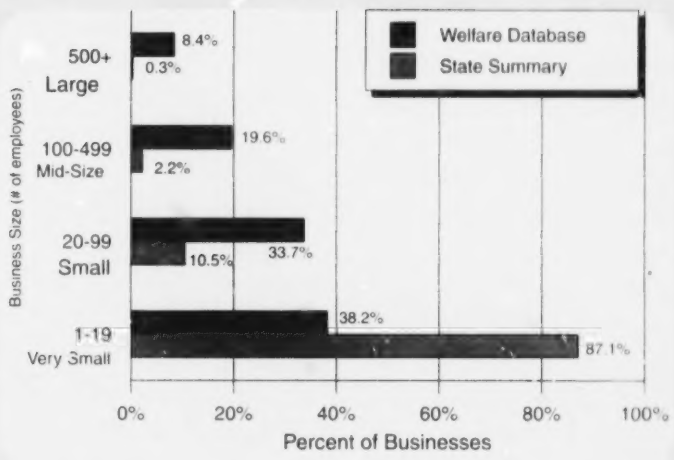
The Florida database was substantially larger than those of the other three states. With 37,450 unique matches, the database represented a considerable sample of the Florida welfare population.

Highlights of the Florida analysis included a relatively high proportion of large businesses that hired welfare recipients. Also, most of the businesses that employed recipients were in the retail and service industries. Business services and eating and drinking places provided the largest portion of jobs. However, those sectors that employed the most recipients paid lower earnings. There were some relationships between the welfare recipient characteristics and the characteristics of the places that hired them. Most important, very small businesses employed far fewer nonwhite welfare recipients than did other businesses.

Business Size

- **Number of Businesses Hiring.** The Florida employment trends demonstrated a tendency for welfare recipients to have found employment in large (500 or more employees) businesses. Looking at the representation of Florida business establishments by employment size class, far fewer very small firms (fewer than 20 employees) hired welfare recipients than were expected (Figure 9). While 87.1 percent of all businesses in Florida were very small, only 38.2 percent of businesses that employed welfare recipients were of the same size.

Figure 9:



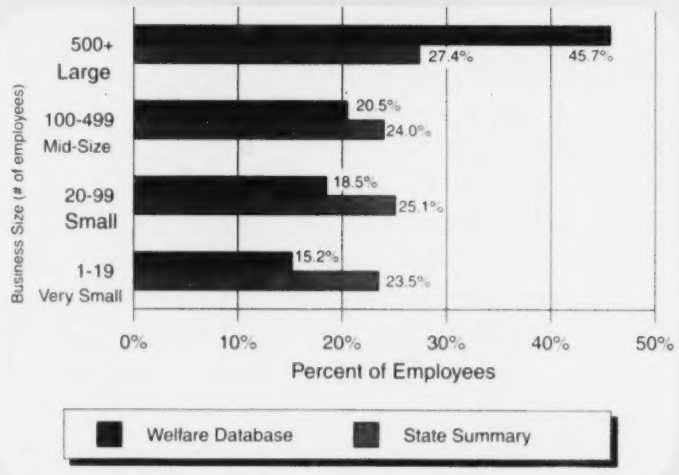
Distribution of Florida businesses by employment size class.

That difference represents 49 percent fewer very small firms than expected. Alternately, 8.4 percent of large firms employed welfare recipients, while their representation in the overall population was 0.3 percent. That percentage was 27 times greater than the figure for the whole state. The proportions of small and midsize businesses that hired welfare recipients were also considerably larger than for the state summary data.

▸ **Number of Employees Hired.**
Although large businesses represented only 8.4 percent of the sample, they accounted for nearly half (45.7 percent) of welfare recipients employed (Figure 10). That proportion represented a 19 percent difference from overall business trends in Florida. Businesses in other size classes employed smaller proportions of welfare recipients than expected. This finding suggests either that the Florida JOBS program is targeting a small number of large businesses to provide employment for welfare recipients or that the recipients themselves find it easier to get jobs with large businesses. It is apparent that small businesses are not hiring as many welfare recipients as would be expected from general business trends. It is possible that welfare recipients find many good work opportunities in large firms and thus do not need to approach small businesses. Whatever the reason, there may be an important match between welfare recipient and small business that is not being made.

▸ **Hiring Rates.**
Examination of the hiring rates by businesses in different size classes helped confirm the trend that showed large Florida businesses hired more

Figure 10:



Distribution of Florida welfare hires and employees by employment size class of business.

welfare recipients than expected. While in general, businesses employed about three recipients each during the two-quarter period, large businesses employed 16 recipients on average (Table 7). Thus, the average large business employed more than five times as many welfare recipients than did all businesses.

Adjusting these rates for business size demonstrated that large firms hired one welfare recipient for every 161 employees, and very small businesses hired one recipient for every seven employees. That very significant difference may suggest that large businesses have more remaining capacity to accept a greater number of welfare recipients than do very small firms.

Industry Sector

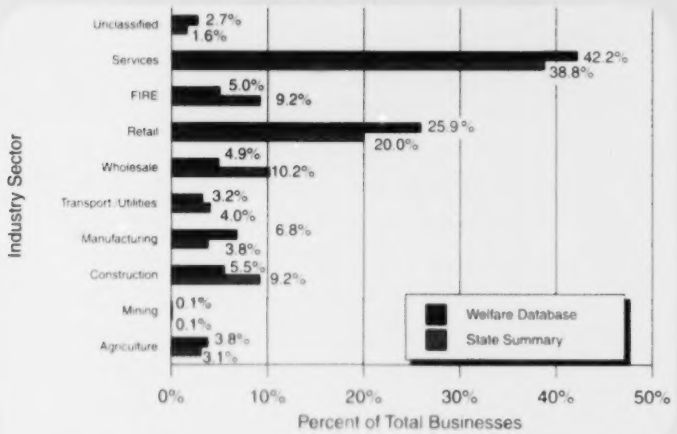
Comparisons across industry sectors were much less striking though no less significant. Welfare recipients in Florida followed a trend toward retail and service sectors and away from manufacturing. More than two-thirds of the businesses in the Florida welfare database were classified as either retail or service (Figure 11), representing

Table 7:

Business Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Very Small (1-19)	1.2	7.3
Small (20-99)	1.6	30.5
Midsize (100-499)	3.1	71.2
Large (500 plus)	16.2	161.1
ALL BUSINESS SIZES	3.0	163.7

employment for 80 percent of welfare recipients (Figure 12). That trend roughly followed the overall business trend in Florida, though the welfare figures were significantly larger. Agriculture[1] businesses also employed more than an expected number of welfare recipients, though to a much smaller extent. Manufacturing, on the other hand, showed greater proportions of businesses that hired welfare recipients, but provided less overall employment for welfare recipients. Industry representation in all other sectors was lower than that expected from state summary trends.

Figure 11:



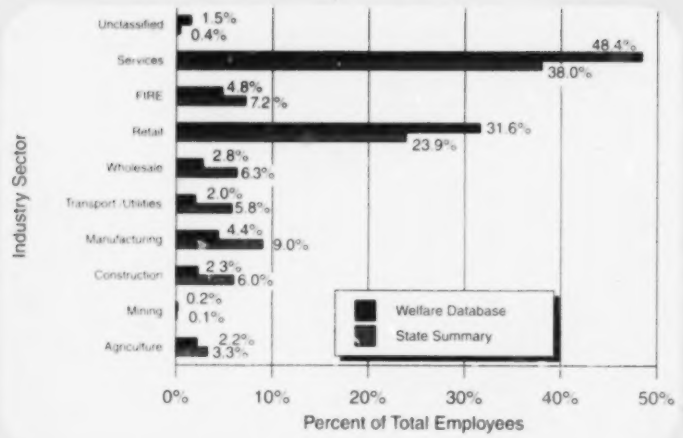
Distribution of Florida businesses by industry sector.

▸ **Hiring Rates.**

The overall industry sector patterns were further supported by hiring rates for Florida industries (Table 8). The retail and service sectors hired the most welfare recipients per firm on average. Alternatively, while agriculture, wholesale trade and construction businesses all had lower welfare hiring rates, their total employee-to-welfare recipient ratios were also lower. That is probably attributed in large part to the smaller mean size of businesses in

[1] The agriculture classification includes agricultural services, forestry and fishing business.

Figure 12:



Distribution of Florida welfare recipients and total employees by industry sector.

those industries. Additionally, all industries exhibit a large difference between average and median size, indicating wide variation among businesses in the same industry. (See discussion of average business size in the Aggregate Analysis chapter.)

▸ **Hiring by Industry Sub-Sector.** Two industry sub-sectors, business services and eating and drinking places, represented the largest portion of welfare jobs (34 percent), as illustrated in Table 9. A look at the size of top industry sub-sectors illustrated that all of the top 10 sub-sectors had mean sizes of more than 100 employees. However, the median sizes were quite a bit smaller, indicating a wide range of business sizes even within those specific sub-sectors. The large deviation in size within industry sub-sectors indicates the difficulty in generalizing even at the sub-sector level, since a large business within a given sector will likely differ dramatically from a small business in the same sector.

Table 8:

Hiring Rates for Florida Industry Sectors

Industry	Average Size (# of employees)	Median Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Retail	549.0	39.5	3.6	153.9
Services	472.7	66.0	3.4	140.9
FIRE	838.5	70.0	2.8	298.5
Manufacturing	287.0	105.0	1.9	152.4
Transportation/Utilities	756.6	107.0	1.8	410.4
Mining	1,128.3	159.0	1.8	644.8
Agriculture	151.7	38.0	1.7	90.0
Wholesale	196.6	40.0	1.7	118.3
Construction	120.7	26.5	1.2	97.2
ALL INDUSTRIES	461.9	53.0	2.9	158.0

*Ranked by the number of welfare hires per business

Table 9:

Top Florida Industry Sub-Sectors (by percent of total welfare hires)

	Welfare Hires			Total Business Employment	
Industry	No.	Rank	Percent of Total Hires	Mean	Median
Business Services	7,113	1	19.0	419.0	93.0
Eating & Drinking Places	5,618	2	15.0	255.0	36.0
Health Services	3,528	3	9.4	531.0	130.0
Food Stores	2,302	4	6.1	1,409.0	37.0
Hotels/Lodging	2,037	5	5.4	216.0	50.0
Social Services	1,546	6	4.1	112.0	32.0
General Merchandise Stores	1,418	7	3.8	3,915.0	1,324.0
Educational Services	1,224	8	3.3	4,550.0	1,529.0
Real Estate	1,150	9	3.1	902.0	52.0
Miscellaneous Retail	948	10	2.5	462.0	20.0
Engineering/Management Services	717	11	1.9	402.0	110.0
Personal Services	687	12	1.8	69.0	13.0
Auto Dealers/Service Stations	663	13	1.8	189.0	47.0
Nondurable Wholesale Trade	579	14	1.5	233.0	58.0
Special-Trade Contractors	559	15	1.5	58.0	19.0
Unclassified	552	16	1.5	63.3	16.0
Apparel/Accessory Stores	479	17	1.3	459.0	114.0
Agricultural Services	477	18	1.3	144.0	38.0
Durable Wholesale Trade	458	19	1.2	155.0	27.0
Amusement/Recreation Services	417	20	1.1	714.0	92.0

Note: Rank based on the number of welfare hires in 77 industry sub-sectors. Only the top 20 sub-sectors are shown. These 20 sectors account for 86.6 percent of total welfare hires.

Earnings

Overall, the average welfare recipient in the Florida sample received quarterly earnings equal to 81 percent of the minimum-wage earnings standard. Only 28 percent of the positions provided welfare recipients with earnings above the standard. This suggests that few steady, full-time positions are being found by welfare recipients in Florida.

The large firms provided significantly lower earnings and a significantly smaller percentage of earnings above the earnings standard than other-sized firms, on average. The difference, though, was small. Large firms provided quarterly earnings at 78 percent of the minimum-wage earnings standard, a difference of only 3 percent from the overall mean.

Retail firms provided the lowest earnings (68 percent of minimum earnings), while con-

struction and transportation/utility firms provided the highest earnings (109 percent and 104 percent respectively). Retail businesses also provided only 18 percent of welfare recipients in this industry with earnings above the standard.

The quarterly earnings were also examined within industry sub-sectors (Table 10). The sectors that employed the largest fraction of welfare recipients were also some of the lowest-paying. None of the 20 top hiring sub-sectors were among the 30 top sub-sectors with respect to earnings.

The highest earnings of the top 20 hiring sub-sectors came from special-trade contractors, durable wholesale and health services. Those sectors not only provided the highest earnings, but also the largest percentage of welfare recipients above the minimum-wage earnings standard. It should also be noted that special-trade contractors and durable wholesale firms both had median

Table 10:
Quarterly Earnings Measurements for Top Florida Industry Sub-Sectors (by percent of total welfare hires)

	Quarterly Earnings				
Industry	**Mean**	**Rank***	**Median**	**Mean % of Earnings Standard**	**% above Earnings Standard**
Business Services	$1,643.35	68	$1,303.50	74.1%	24.0%
Eating & Drinking Places	$1,400.69	75	$1,187.70	63.1%	14.1%
Health Services	$2,127.79	31	$1,810.71	95.9%	39.4%
Food Stores	$1,438.97	74	$1,251.19	64.9%	16.5%
Hotels/Lodging	$1,496.98	72	$1,273.25	67.5%	18.2%
Social Services	$1,749.08	65	$1,528.90	78.8%	27.7%
General Merchandise Stores	$1,513.77	71	$1,333.80	68.2%	17.0%
Educational Services	$1,985.54	45	$1,647.00	89.5%	31.2%
Real Estate	$1,764.60	63	$1,488.60	79.5%	28.2%
Miscellaneous Retail	$1,680.02	67	$1,428.13	75.7%	25.7%
Engineering/Management Services	$1,928.84	48	$1,559.39	86.9%	30.0%
Personal Services	$1,636.56	69	$1,415.24	73.8%	22.6%
Auto Dealers/Service Stations	$1,905.05	49	$1,511.88	85.9%	29.6%
Nondurable Wholesale Trade	$1,854.75	52	$1,470.00	83.6%	32.6%
Special-Trade Contractors	$2,268.02	23	$1,766.60	102.2%	41.5%
Unclassified	$1,813.14	55	$1,479.07	81.7%	30.2%
Apparel/Accessory Stores	$1,462.96	73	$1,200.00	65.9%	17.7%
Agricultural Services	$1,776.99	59	$1,443.68	80.1%	28.2%
Durable Wholesale Trade	$2,251.29	24	$1,695.00	101.5%	38.8%
Amusement/Recreation Services	$1,752.38	64	$1,383.69	79.0%	28.9%

*Note: Rank is based on the mean quarterly earnings for 77 industry sub-sectors. Only the top 20 hiring sub-sectors are shown.

employment of fewer than 30. That fact helps to emphasize that small businesses generally paid better wages than did large firms.

Welfare Recipient Characteristics

The large Florida data set, compared to the other states, permitted analysis of a wide variety of industry class distinctions and made conclusions drawn from the results much more precise. Thus, only one new industry consolidation was required. Agriculture, forestry and mining were collapsed into one industry classification — resource extraction. This analysis examined age, race and education differences.

▸ **Age.** A significant trend emerged in welfare recipient age with respect to business size. Large businesses tended to hire younger recipients. The large businesses employed welfare recipients 30.6 years of age on average, compared to 32.2 years in very small businesses. Significant differences within industry sectors also arose. Service businesses hired the youngest recipients (29.9 years old) and construction, manufacturing, and resource extraction the oldest (33.2 years). Small manufacturing firms employed the oldest recipients (33.6 years) and large service firms the youngest (29.3 years).

▸ **Race.** Overall, the JOBS sample population was 63 percent nonwhite. Small businesses hired significantly fewer nonwhite welfare recipients, with only 48 percent of the jobs in very small businesses going to nonwhite recipients. Service and resource extraction businesses hired the largest percentage of nonwhite recipients (69 percent), with construction businesses hiring significantly fewer nonwhite recipients (35 percent) than all other sectors. Most industries differed greatly by size when examining racial employment, with the exception of the construction industry, in which both large (39 percent nonwhite) and small (32 percent) businesses hired few nonwhite recipients.

▸ **Education.** Differences in welfare recipient education were less striking. The average amount of schooling that welfare recipients had was 11.2 years, which differed slightly but significantly from large businesses, which employed recipients with a mean of 11.4 years of schooling. A more important difference was found between resource extraction firms and all others. Resource extraction firms employed recipients with 9.3 years of education — almost two years less than average.

Summary

To review, the major findings from the Florida data include the following:

▸ More welfare recipients (46 percent) were hired by large businesses than by businesses of other sizes.

▸ The retail and service sectors employed about 80 percent of the welfare recipients who gained employment.

▸ Business sectors that provided large numbers of jobs also provided comparatively low earnings on average. For example, the two top hiring sub-sectors (business services and eating and drinking places) both paid among the bottom 10 sub-sectors in quarterly earnings.

▸ Smaller businesses and construction firms hired proportionately fewer nonwhite welfare recipients than did larger businesses.

Maryland

The Maryland database comprised 8,772 unique combinations of welfare recipients and employers. In general, large businesses employed a greater proportion of welfare recipients than total employees in the general population. An opposite pattern was found in the proportion that very small firms employed. The types of businesses that employed most welfare recipients were retail and service firms. While eating and drinking places provided lower earnings, health services appeared to provide more full-time jobs and higher earnings. A few welfare recipient characteristic trends also arose. More importantly, large firms employed nearly 20 percent more nonwhite welfare recipients than did very small businesses.

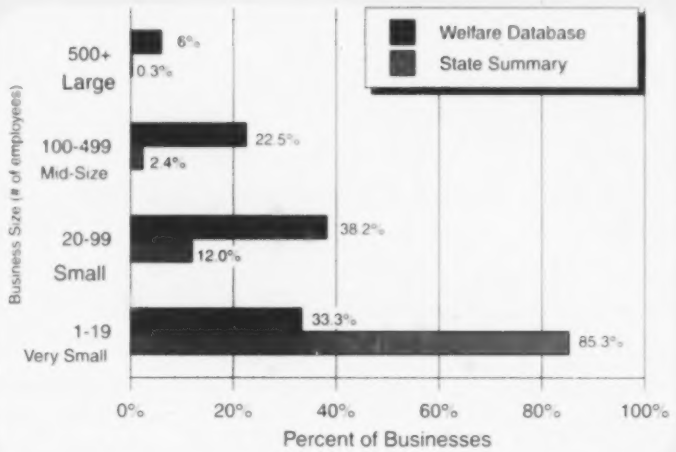
Business Size

The JOBS database from Maryland listed the number of employees classified into seven categorical ranges instead of as continuous numbers. To account for this, the project team assigned the mean value of the category as the number of employees for a given firm. This adjustment did not impact size classes, but it did have an effect on averages. Please see the Technical Appendix for a discussion about methodological and other issues associated with this problem.

▸ **Number of Businesses Hiring.** Relatively few very small businesses (fewer than 20 employees) employed welfare recipients, compared to the general business population (Figure 13). A 52-percent difference existed between these two populations when looking at the very small businesses. While one-third of the businesses that employed welfare recipients were very small, fully 85.3 percent of total businesses in Maryland were of this size. The proportion of small, mid-size and large businesses that hired welfare recipients was greater than their representation in the overall Maryland business population.

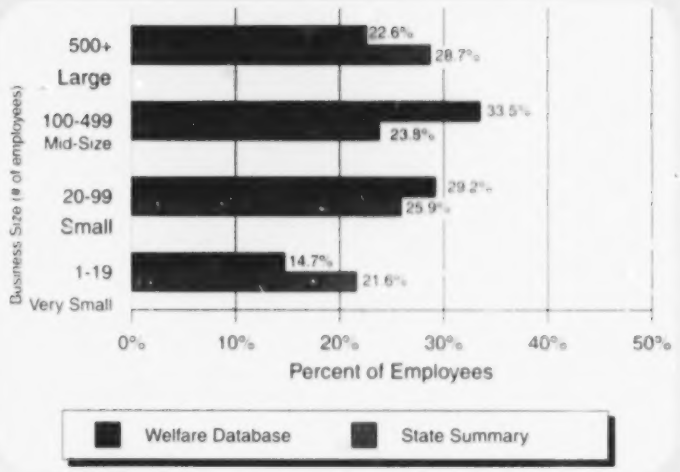
▸ **Number of Employees Hired.** Maryland showed a trend in the proportions of welfare recipients hired that was somewhat unusual. In Maryland, mid-size and small businesses hired most of the welfare recipients, and both large and very small businesses hired smaller proportions of welfare recipients than was expected from state summary trends (Figure 14). The greatest difference was in the mid-size class (100-499 employees). About 33.5 percent of welfare recipients were employed by businesses in this size class, compared to 23.8 percent of total

Figure 13:



Distribution of Maryland businesses, by employment size class.

Figure 14:



Distribution of Maryland welfare hires and employees by employment size class of business.

employees in the state — nearly a 10-percent difference.

▸ **Hiring Rates.** Additional evidence demonstrated that large businesses hired significantly more welfare recipients than smaller businesses. Large businesses hire 10 welfare recipients on average, while the average employment was three recipients per business (Table 11). However, large businesses have a greater capacity, which may account for much of the difference. When accounting for business size, it was found that large firms hired one welfare recipient for every 85 employees, while very small firms hired at a ratio of 1 to 8. That ratio may be understated because of the categorical nature of Maryland business size data.

Table 11:

Hiring Rates for Different-Sized Maryland Businesses

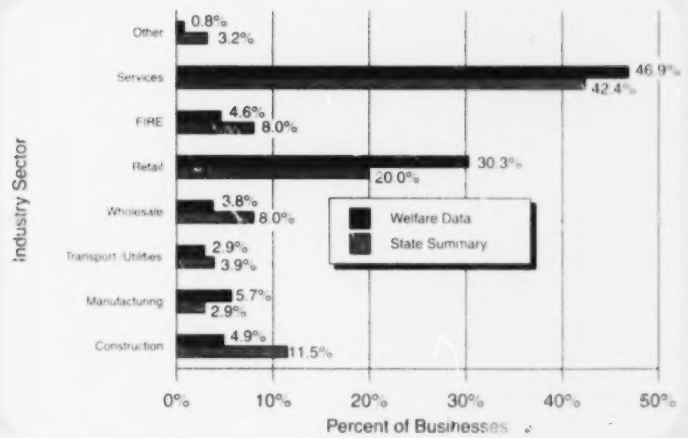
Business Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Very Small (1-19)	1.2	8.3
Small (20-99)	2.0	25.3
Mid-sized (100-499)	4.0	59.3
Large (500-plus)	10.0	85.4
ALL BUSINESS SIZES	2.7	47.5

Industry Sector

When comparing the welfare recipient per firm distribution to state summary figures by industry sector, some highly significant differences were found. Most businesses hiring welfare recipients were in the retail and service sectors (77 percent), compared to only 62 percent of total state firms (Figure 15). Similarly, those two sectors accounted for a significantly higher percentage of welfare recipient employment than total employment in the state (Figure 16). In the welfare sample, more than 85 percent of recipients obtained employment in the service or retail sectors, compared to about 62 percent of the employees in the general population. Those higher proportions for retail and service sectors came along with lower proportions in other sectors. The one exception was the manufacturing sector, in which there were larger proportions of firms hiring welfare recipients but smaller numbers of recipients employed than were expected from state summaries.

▸ **Hiring Rates.** The firms that hired welfare recipients employed 2.7 recipients per firm, on average (Table 12). The figure was slightly higher in the service and retail sectors (3.2 and 2.8 recipients per firm, respectively). Overall, the ratio of employees per welfare recipient hired was quite

Figure 15:

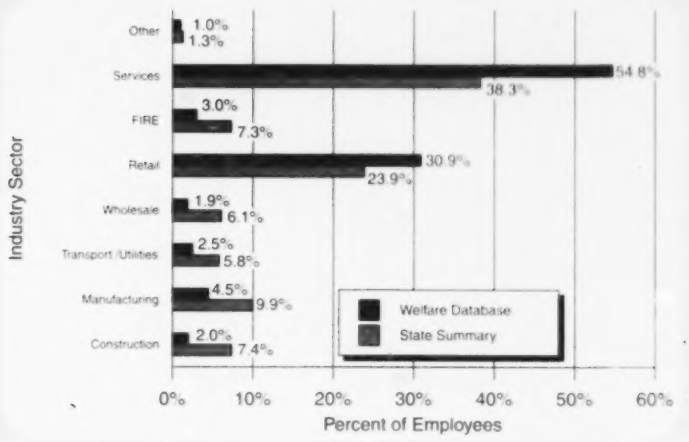


Distribution of businesses in Maryland by industry sector.

low as well (one recipient to 46 employees, on average). The ratio with financial, insurance and real estate firms was significantly greater (1 to 95 employees). Those low employee-to-recipient ratios are likely because of the small average size of businesses in Maryland. The small average size is attributed in part to the categorical size data for Maryland. (See the Aggregate Analysis and Technical Appendix for discussions of business size distributions.)

▸ **Hiring by Industry Sub-Sector.**
Subdividing the industry sectors even further demonstrated that business services and eating and drinking places together hired 36.5 percent of welfare recipients (Table 13). Health service businesses also hired a large portion of welfare recipients (11.6 percent). Because the size measurements for Maryland were based on categorical ranges, the median size was the most instructive figure in that case. Most of the sub-sectors had relatively small median business sizes.

Figure 16:



Distribution of welfare recipients and total employees in Maryland by industry sector.

Earnings

Overall, the average welfare recipient in Maryland received quarterly wages equal to 71 percent of the minimum-wage earnings standard. Only 27 percent of the recipients in that state were above the standard. This suggests little steady, full-time work for welfare recipients.

There were no significant differences in earnings among businesses of different sizes. However, it is interesting to note that very small and large businesses

Table 12:
Hiring Rates for Maryland, Industry Sectors

Industry	Average Size (# of employees)	Median Size (# of employees)	Welfare Hires per Business*	Employees per Welfare Hire
Services	155.8	35.0	3.2	49.4
Retail	77.7	35.0	2.8	28.2
Transportation/Utilities	169.8	75.0	2.3	73.1
Manufacturing	168.5	75.0	2.1	79.7
FIRE	166.4	35.0	1.7	95.1
Wholesale	66.4	35.0	1.4	48.3
Agriculture	68.8	15.0	1.3	53.5
Construction	61.0	35.0	1.1	55.4
Mining	15.0	15.0	1.0	15.0
ALL INDUSTRIES	124.7	35.0	2.7	46.2

*Ranked by the number of welfare hires per business

paid the highest earnings (77 percent and 74 percent of the standard, respectively).

Among industries, the FIRE and transportation/utilities sectors paid the highest earnings (112 percent and 99 percent of the standard). Those earnings were significantly higher than the retail sector, which paid the lowest quarterly earnings (53 percent). Only 16 percent of recipients employed in the retail sector received earnings above the standard.

Average quarterly welfare recipient earnings varied greatly among industry sub-sectors (Table 14). However, none of the top 10 hiring sub-sectors provided quarterly earnings within the top 20. Eating and drinking places fell at the low end of the range, paying quarterly earnings equivalent to 45 percent of the full-time minimum wage earnings standard. Only 9 percent of the welfare recipients in this sub-sector made more than the standard. On the other hand, depository institutions, communications, engineering and management services, health services, durable wholesale trade and special-trade contractors provided earnings that averaged more than the minimum-wage earnings standard (100 percent or better) and provided more than 40 percent of the welfare recipients with earnings above the standard. Health services is an important sub-sector because it appeared to provide more full-time jobs with stable earnings.

Welfare Recipient Characteristics

▸ **Age.** Maryland welfare recipients had an average age of 28.0 years. Very little difference existed among means across the age characteristic. It was possible to separate retail firms from manual labor businesses,[11] but no further differences by group could be distinguished. Retail businesses employed recipients with a mean age of 26.4 years old, which is younger than average, while manual labor businesses employed older recipients (29.9 years, mean age). No noticeable trend with business size on the whole or within specific industry sectors arose.

[11] A grouping which combines agriculture, mining and construction firms for analytical purposes.

▸ **Education.** Maryland welfare recipients reported an average of 11.3 years of education. As with age, there was surprisingly little difference among businesses with regard to years of recipient education. There was a very slight size trend such that smaller firms tended to hire less-educated recipients. That trend was more pronounced within manual labor and retail sectors. Among industry sectors, retail businesses overall employed welfare recipients with slightly less education than average (11.1 mean years), while FIRE, transportation/utilities and service businesses employed slightly more educated recipients (11.7, 11.6, and 11.4 mean years, respectively). Although the differences are statistically significant, the small size of the differences illustrates how similar the businesses actually were with respect to recipient education.

Table 13:

Top Maryland Industry Sub-Sectors (by percent of total welfare hires)

	Welfare Hires			Total Business Employment	
Industry Sub-Sector	**No.**	**Rank**	**Percent of Total Hires**	**Mean**	**Median**
Business Services	1,932	1	22.0	155.3	75.0
Eating & Drinking Places	1,271	2	14.5	69.3	35.0
Health Services	1,020	3	11.6	219.2	175.0
Social Services	528	4	6.0	91.1	35.0
Educational Services	460	5	5.2	509.2	375.0
Food Stores	449	6	5.1	100.7	35.0
General Merchandise Stores	336	7	3.8	169.0	75.0
Miscellaneous Retail	315	8	3.6	72.9	15.0
Hotels/Lodging	296	9	3.4	121.2	55.0
Personal Services	190	10	2.2	34.4	15.0
Apparel/Accessory Stores	144	11	1.6	58.2	15.0
Food & Kindred Products	120	12	1.4	187.2	125.0
Automotive Dealers/Service Stations	118	13	1.3	69.3	35.0
Special-Trade Contractors	111	14	1.3	56.0	35.0
Real Estate	109	15	1.2	102.3	35.0
Durable Wholesale Trade	103	16	1.2	64.1	35.0
Engineering/Management Services	99	17	1.1	92.1	35.0
Communication	87	18	1.0	263.8	175.0
Amusement/Recreation Services	82	19	0.9	192.6	75.0
Depository Institutions	78	20	0.9	248.3	75.0

Note: Rank based on the number of welfare hires in 64 industry sub-sectors. Only the top 20 sub-sectors are shown. Those 20 account for 89.3 percent of the total welfare hires.

Table 14:

Quarterly Earnings Measurements for Top Maryland Industry Sub-Sectors
(by percent of total welfare hires)

Industry Sub-Sectors	Quarterly Earnings Mean	Rank*	Median	Mean % of Earnings Standard	% Above Earnings Standard
Business Services	$1,130.95	57	$ 555.00	51.0%	18.2%
Eating & Drinking Places	$1,005.98	60	$ 760.00	45.4%	9.3%
Health Services	$2,387.10	22	$2,212.00	107.7%	49.9%
Social Services	$2,028.29	35	$1,847.00	91.5%	42.0%
Educational Services	$1,693.83	44	$1,111.00	76.4%	29.1%
Food Stores	$1,246.73	55	$ 906.00	56.3%	20.0%
General Merchandise Stores	$1,140.79	56	$ 746.00	51.5%	17.3%
Miscellaneous Retail	$1,268.82	54	$ 888.00	57.3%	20.3%
Hotels/Lodging	$1,315.62	52	$1,147.50	59.4%	21.3%
Personal Services	$1,413.01	50	$ 956.00	63.8%	22.6%
Apparel/Accessory Stores	$1,075.54	59	$ 701.00	48.5%	13.9%
Food & Kindred Products	$1,306.84	53	$ 817.00	59.0%	21.7%
Automotive Dealers/Service Station	$2,127.07	32	$1,962.50	96.0%	45.8%
Special-Trade Contractors	$2,268.69	25	$1,491.00	102.4%	44.1%
Real Estate	$2,207.56	28	$1,437.00	99.6%	33.0%
Durable Wholesale Trade	$2,314.11	23	$1,795.00	104.4%	43.7%
Engineering/Management Services	$2,425.95	20	$1,983.00	109.5%	46.5%
Communication	$2,446.72	18	$1,819.00	110.4%	48.3%
Amusement/Recreation Services	$1,353.00	51	$ 927.50	61.1%	19.5%
Depository Institutions	$2,429.64	19	$2,338.00	109.6%	53.8%

*Note: Rank based on quarterly earnings in 64 industry sub-sectors. Only the top 20 hiring sub-sectors are shown.

▸ **Race.** The overall JOBS population was 75 percent nonwhite. The racial characteristic presented an interesting result, especially with respect to business size. On the whole, larger businesses employed a higher percentage of nonwhite welfare recipients than did smaller businesses. Very small businesses (1-19 employees) employed 66 percent nonwhites, while the large firms (more than 500 employees) employed 85 percent nonwhite recipients. The differences among industries were much smaller. Manual labor, manufacturing and wholesale trade businesses employed a smaller percentage of nonwhite recipients (58 percent, 67 percent and 65 percent, respectively).

Summary

For Maryland, the following important results were determined.

- Both very small and large businesses employed fewer welfare recipients than expected from state summaries, while small and mid-sized businesses employed more.
- The retail and service sectors employed the vast majority of welfare recipients, with business services and eating and drinking places existing as the top hiring sub-sectors.
- Top hiring sub-sectors provided some of the lowest earnings, with a few important exceptions.
- Very small businesses and manual labor, manufacturing and wholesale trade firms hired fewer nonwhite welfare recipients than did other businesses.

Missouri

The Missouri database contained 8,057 unique matches. The data also contained an additional welfare recipient characteristic that measured "months out of the last 12 that the welfare recipient was employed" as a measure of job experience. The analysis of that data was conducted in much the same way as the other welfare characteristic analyses.

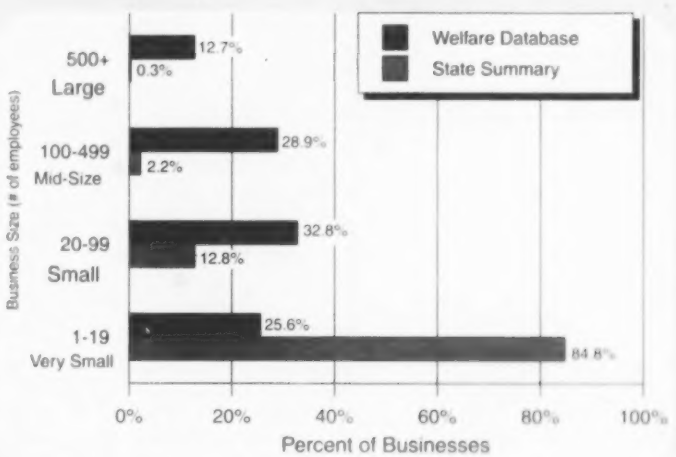
Missouri data exhibited the following trends: larger firms employed proportionately more welfare recipients than did smaller firms with fewer employees, welfare recipients found jobs most often in the service or retail sectors, and very small businesses employed fewer nonwhite welfare recipients. Earnings for welfare recipients in Missouri appeared to be relatively high as well.

Business Size

- **Number of Businesses Hiring.** A much greater percentage of large businesses employed Missouri welfare recipients than was expected from state summary data. While only 0.3 percent of businesses in Missouri employed more than 500 people, 12.7 percent of businesses that employed welfare recipients were in this size class. A similar pattern emerged for midsize and small businesses. On the other hand, while 84.8 percent of businesses in Missouri were very small, only 25.6 percent of firms hiring welfare recipients were of that size (Figure 17). That is nearly a 60-percent difference.

- **Number of Employees Hired.** Along with showing greater participation in welfare hiring, large and mid-sized businesses also employed a very large number of welfare recipients. Nearly 65 percent of the recipients went to businesses with 100 or more employees, compared to about 43 percent of the general population (Figure 18).

Figure 17:



Distribution of Missouri businesses by employment size class.

Compared to the general business patterns, nearly 12 percent fewer welfare recipients were employed in very small businesses. Thus, it seems clear that the likelihood of employment for welfare recipients increases as business size increases.

▸ **Hiring Rates.** In Missouri, the large businesses that employed welfare recipients averaged more than 1,850 employees in size. That capacity may have led to employment of larger numbers of welfare recipients. The large firms hired 5.5 recipients on average, compared to an overall average of 2.0 (Table 15). However, after accounting for size, those large firms hired proportionately fewer welfare recipients than did smaller businesses. The large businesses hired on average one welfare recipient for every 345 employees, while the overall average is one to 162. Very small businesses hired one welfare recipient for every nine employees.

Table 15:

Hiring Rates for Different-Sized Missouri Businesses

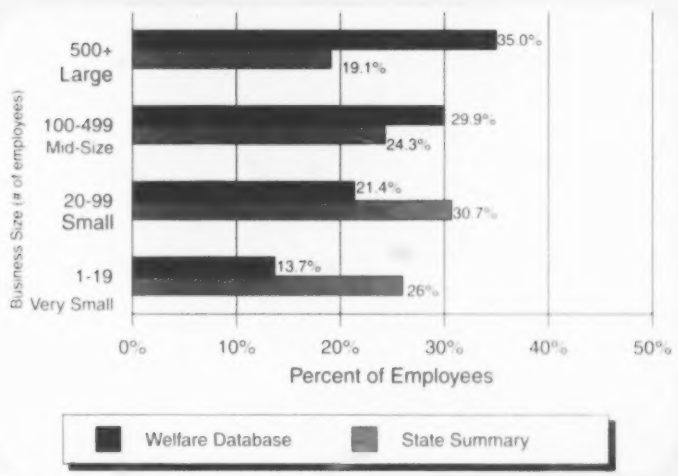
Business Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Very Small (1-19)	1.1	8.7
Small (20-99)	1.3	39.7
Mid-sized (100-499)	2.1	107.1
Large (500-plus)	5.5	344.5
ALL BUSINESS SIZES	2.0	161.7

Industry Sector

Missouri followed the trend toward service and retail firms. Fully 71.9 percent of the firms that employed welfare recipients were in one of those two sectors, compared to 55.8 percent of total businesses in Missouri (Figure 19). More significantly, 78.1 percent of welfare recipients were employed by businesses in either the service or retail sectors, compared to 52.7 percent of employees in the general population (Figure 20). The service sector alone accounted for more than half of the jobs. About 6 percent more manufacturing businesses employed welfare recipients than were expected, but those firms employed 8 percent fewer recipients than expected. In all other sectors, there were fewer businesses hiring fewer welfare recipients than expected.

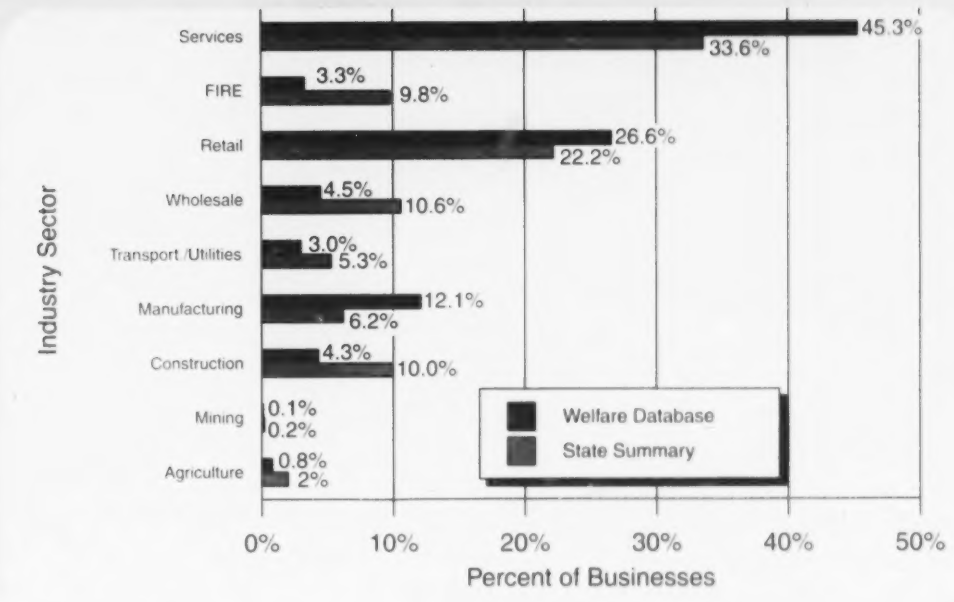
▸ **Hiring Rates.** The service sector also hired significantly more welfare recipients per business (2.3 mean recipients) than did any other industry sector (1.8 mean recipients for

Figure 18:



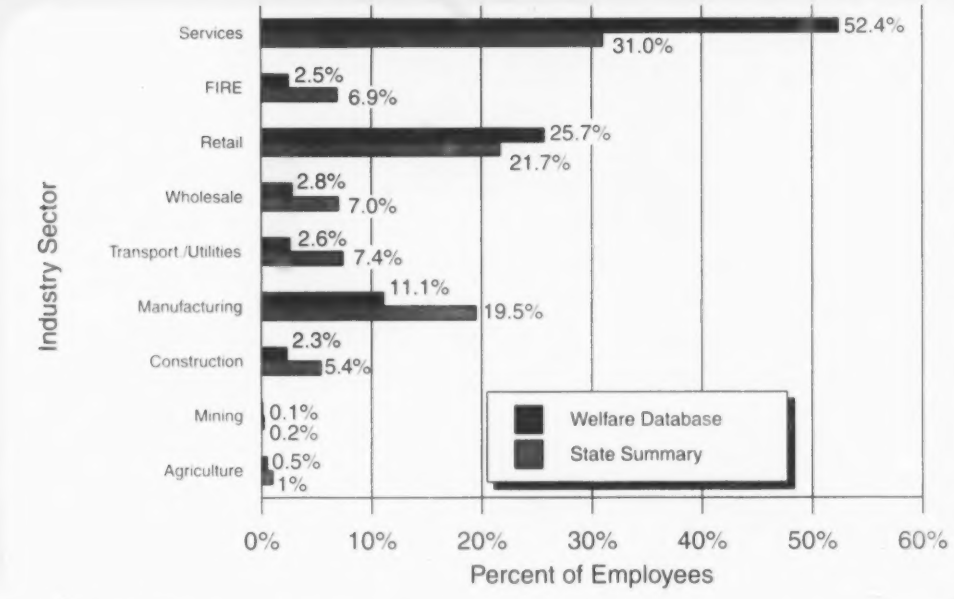
Distribution of Missouri welfare hires and employees by employment size class of business.

Figure 19:



Distribution of Missouri businesses by industry sector.

Figure 20:



Distribution of Missouri welfare recipients and total employees by industry sector.

Table 16:
Hiring Rates for Missouri Industry Sectors

Industry	Average Size (# of employees)	Median Size (# of employees)	Welfare Hires per Business*	Employees per Welfare Hire
Services	323.8	92.0	2.3	139.9
Retail	292.1	50.0	1.9	151.1
Transportation/Utilities	544.0	47.5	1.8	310.9
Manufacturing	462.0	108.0	1.8	251.0
FIRE	298.1	53.0	1.5	199.8
Wholesale	136.6	30.0	1.3	107.6
Agriculture	86.7	14.5	1.2	71.2
Construction	49.4	15.0	1.1	46.4
Mining	311.0	44.0	1.0	311.0
ALL INDUSTRIES	321.1	68.0	2.0	159.9

*Ranked by the number of welfare hires per business

all other sectors). (See Table 16.) However, when business size was accounted for, the construction, agriculture and wholesale trade businesses hired the most welfare recipients per total employees, by virtue of their smaller business sizes. (See the Aggregate Analysis and Technical Appendix for discussions of business size distribution.)

▸ **Hiring by Industry Sub-Sector.** Health services topped the list as the sub-sector that hired the most Missouri welfare recipients. However, that sub-sector was followed closely by business services and eating and drinking places (Table 17). Those three sub-sectors accounted for 45 percent of the welfare employment, and the firms within them were quite large on average. All but one of the top 10 hiring sectors have average sizes of more than 100 employees. The smaller median sizes emphasize the wide range of variation in size within industry sub-sectors.

Earnings[12]

Earnings for Missouri, when compared to the minimum-wage earnings standard, were significantly higher than those for the other states examined. The average quarterly earnings for a welfare recipient in Missouri were 103 percent of the minimum standard. However, only 39 percent of the recipients were able to achieve earnings above the standard. This may mean that these few recipients had full-time, steady work that paid greater than minimum wages.

Overall, differences in earnings were better distilled by industry than by business size. There was no significant trend in earnings along size categories, but there was a slight trend in the percentage of welfare recipients above the minimum wage earnings standard. Smaller firms (fewer than 100 employees) paid 55 percent of their welfare recipients more than minimum earnings, and larger firms (100 or more employees) paid 48 percent of their welfare recipients more than the minimum standard. The retail and service sectors paid significantly lower earnings and provided a significantly smaller

[12] Missouri earnings data covered a period from July 1995 to December 1996 — six quarters. The quarterly wage rates were estimated for this analysis by dividing earnings by six. See the Technical Appendix for more detail.

percentage of recipients with income above the minimum-wage earnings standard than all other sectors.

Fully 13 of the top 20 hiring sub-sectors had mean quarterly earnings above the minimum-wage earnings standard. Of the top 20 industry sub-sectors with respect to welfare employment, transportation equipment manufacturing clearly paid the highest earnings, with welfare recipients averaging more than 2.25 times the earnings standard, and 73 percent earning more than the standard (Table 18). Only four sub-sectors averaged below 70 percent of the standard. Those included eating and drinking places, hotels/lodging services, business services and food stores. Each provided less than 30 percent of welfare recipients with steady, full-time employment at minimum wage or better.

Table 17:

Top Industry Sub-Sectors in Missouri (by percent of total welfare hires)

	Welfare Hires			Total Business Employment	
Industry Sub-Sector	**No.**	**Percent of Total Hires**	**Rank**	**Mean**	**Median**
Health Services	1,391	17.3	1	368.0	124.0
Business Services	1,234	15.3	2	384.0	148.0
Eating & Drinking Places	972	12.1	3	204.0	51.0
Social Services	505	6.3	4	98.0	33.0
Food Stores	280	3.5	5	415.0	57.0
Automotive Dealers/Service Stations	253	3.1	6	157.0	42.0
General Merchandise Stores	245	3.0	7	2,329.0	239.0
Educational Services	236	2.9	8	917.0	283.0
Hotels/Lodging	224	2.8	9	165.0	61.0
Food & Kindred Products	155	1.9	10	1,034.0	545.0
Personal Services	137	1.7	11	79.0	19.0
Miscellaneous Retail	133	1.7	12	184.0	32.0
Special-Trade Contractors	116	1.4	13	36.0	15.0
Durable Wholesale Trade	115	1.4	14	100.0	23.0
Nondurable Wholesale Trade	106	1.3	15	176.0	44.0
Apparel/Textile Products	99	1.2	16	326.0	118.0
Unclassified	99	1.2	16	507.0	123.0
Amusement/Recreation Services	89	1.1	18	478.0	84.0
Trucking/Warehousing	88	1.1	19	173.0	41.0
Transportation Equipment	75	0.9	20	1,618.0	135.0
Engineering/Management Services	75	0.9	20	392.0	29.0

Note: Rank based on welfare hires in 75 industry sub-sectors. Only the top 21 sub-sectors are shown. Those 21 account for 82.1 percent of the total welfare hires.

Table 18:

Quarterly Earnings Measurements in Top Missouri Industry Sub-Sectors (by percent of total welfare hires)

Industry Sub-Sector	Quarterly Earnings Mean	Rank*	Median	Mean % of Earnings Standard	% Above Earnings Standard
Health Services	$2,561.40	53	$1,878.67	115.5%	45.4%
Business Services	$1,351.42	72	$ 647.25	60.9%	20.0%
Eating & Drinking Places	$1,257.43	74	$ 830.08	56.7%	19.0%
Social Services	$2,487.76	57	$2,118.67	112.1%	48.7%
Food Stores	$1,507.99	71	$1,051.08	68.0%	28.2%
Automotive Dealers/Service Stations	$2,375.36	58	$1,898.00	107.1%	45.1%
General Merchandise Stores	$1,606.59	69	$1,214.67	72.4%	29.0%
Educational Services	$2,900.14	40	$1,807.75	130.7%	40.7%
Hotels/Lodging	$1,334.41	73	$ 882.33	60.1%	21.4%
Food & Kindred Products	$2,877.35	41	$2,348.33	129.7%	51.0%
Personal Services	$2,019.61	62	$1,683.33	91.0%	38.7%
Miscellaneous Retail	$1,720.57	65	$ 821.33	77.6%	27.8%
Special-Trade Contractors	$3,144.22	31	$2,634.67	141.7%	56.9%
Durable Wholesale Trade	$3,000.05	38	$2,230.50	135.2%	50.4%
Nondurable Wholesale Trade	$3,077.84	35	$2,301.08	138.7%	50.0%
Apparel/Textile Products	$2,025.93	61	$1,588.83	91.3%	40.4%
Unclassified	$2,670.01	49	$1,612.33	120.4%	44.4%
Amusement/Recreation Services	$2,688.60	47	$1,975.33	121.2%	42.7%
Trucking/Warehousing	$3,943.84	19	$3,607.50	177.8%	63.6%
Transportation Equipment	$5,018.47	9	$4,509.17	226.2%	73.3%
Engineering/Management Services	$3,037.22	37	$1,923.67	136.9%	44.0%

***Note:** Rank based on the quarterly earnings in 75 industry sub-sectors. Only the top 21 hiring sub-sectors are shown.

Welfare Recipient Characteristics

▸ **Age.** Missouri welfare recipients averaged 28.6 years in age. Two interesting differences were found when looking at recipient age characteristics. First, there was a large variation in mean age across business size categories. Smaller businesses hired older recipients. Very small businesses (fewer than 20 employees) hired recipients with a mean age of 30.0 years, while large businesses (500 or more employees) hired recipients with a mean age of 27.8 years. The second difference was that retail businesses hired recipients that are younger than all other industry types. Welfare recipients who went into retail businesses averaged 26.7 years in age, almost two years younger than average.

▸ **Race.** Overall, the nonwhite proportion of the JOBS population was 37.5 percent. Large businesses employed a significantly larger percentage of nonwhites than did small businesses on average. While examining industry differences, it was found that FIRE businesses employed a larger percentage of nonwhite welfare recipients (56.7 percent) than all but one industry. Manual labor, manufacturing, and wholesale businesses all employed a substantially lower than average proportion (12.2 percent, 13.6 percent and 24.4 percent, respectively).

▸ **Education.** The overall average education for the Missouri welfare sample was 11.4 years. There was little difference in the hiring patterns of different businesses. There was no significant trend among businesses classified by size. On average, FIRE businesses hired more-educated welfare recipients (11.9 mean years of education), while manufacturing and retail hired less-educated recipients (11.2 mean years each) than average.

▸ **Work Experience.** Missouri included a measure of recent work experience that counted the "number of months employed out of the last 12." The overall mean was 3.79 months, with quite a large variation among the population segments. The analysis showed that welfare recipients employed by manual labor businesses had more recent employment experience (5.52 months) than all but two other industries. Services and retail firms employed welfare recipients with lower than average work experience (3.56 and 3.62, respectively). Overall, there was no trend across firm size, but within the manufacturing sector, recipients employed by smaller firms had more experience than those with larger ones.

Summary

Overall, the Missouri analysis yielded the following key results:

- Large businesses employed the greatest percentage of welfare recipients (35 percent).
- Retail and service sectors employed a large majority of welfare recipients (76 percent), with health services being the top hiring sub-sector.
- Earnings were quite high in most sectors, with the average earnings above the minimum-wage earnings standard, but the top hiring sectors still paid lower earnings.
- Large businesses and FIRE firms employed a greater portion of nonwhite welfare recipients than did the smaller firms.

Oregon

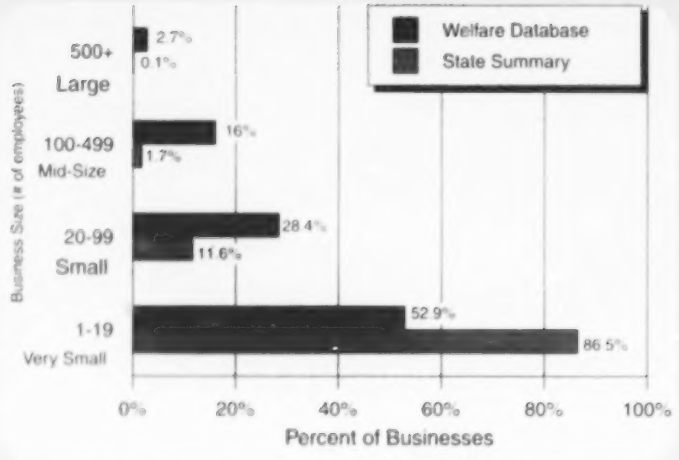
After constricting the Oregon database to unique combinations of welfare recipients and employers for the time period requested, the database contained only 546 unique records. This low number of records was in large part because of Oregon's confidentiality policies. Welfare recipients must individually provide written consent to allow release of their records for research purposes. The incidence of consent depends greatly on the individual case managers and their attitude toward the data collection. Some managers view data collection as important, while others are indifferent.[13] The overall effect of the small size of the database is to reduce the precision of the analysis. For further discussion of this issue, please refer to the Technical Appendix.

Analysis of the Oregon data revealed that nearly half of the welfare recipients were employed

[13] Based on conversations with Bryan Conway, research analyst for the Oregon Employment Department.

by very small businesses, retail and service businesses employed a vast majority of the welfare recipients, and those businesses that employed welfare recipients did not provide many full-time or steady work opportunities. Few meaningful patterns arose as to the type of person different businesses tended to hire.

Figure 21:

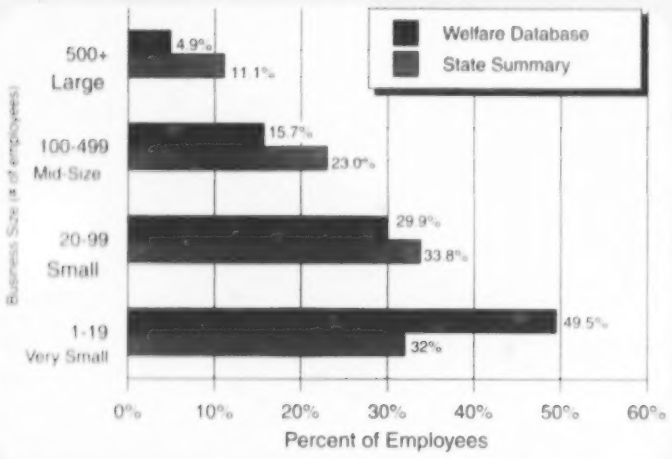


Distribution of Oregon businesses by employment size class.

Business Size

▸ **Number of Businesses Hiring.** The majority (52.9 percent) of the businesses that hired welfare recipients in Oregon were very small firms (fewer than 20 employees). That figure (52.9 percent) was much larger than the corresponding aggregate percentage presented earlier, but it was still 34 percent lower than the tally for all businesses in Oregon (Figure 21). On the large end, only about 2.7 percent of businesses hiring welfare recipients were large firms. However, that percentage is much greater than would have been expected from Oregon summary data. Proportions for small and midsize businesses were also much larger than expected.

Figure 22:



Distribution of welfare hires and employees in Oregon by employment size class of business.

▸ **Number of Employees Hired.** The most striking result of the Oregon data analysis was the abundance of welfare recipients in very small firms. Nearly half (49.5 percent) of the welfare recipients employed were found in very small businesses (Figure 22). This percentage exceeded the Oregon summary figure by 18 percent. Alternatively, only 4.9 percent of welfare recipients found employment with large businesses. That is about 6 percent below expected. There were also fewer welfare recipients found in small and mid-sized firms than were expected.

▸ **Hiring Rates.** The employment pattern discussed above can be seen even more clearly by looking at the number of recipients that each business hired relative to its size (Table 19). In each size class, the number of recipients hired was close to the overall average of 2.3. Very small firms hired fewer recipients (2.1 recipients) and large firms significantly more (4.2) than average, but the actual difference between the two extremes is only two recipients per business. This means that in proportion to business size, very small firms hired welfare recipients at a much higher rate. By correcting for business size, it was discovered that very small firms hired one welfare recipient for every three employees, while the ratio with large firms was one to 403. While one might expect some difference between the ratios of large and small firms, the Oregon data exhibited more than a hundred-fold difference.

Table 19:

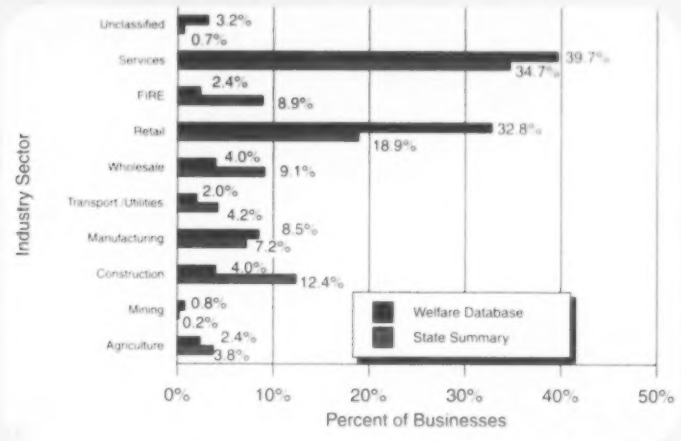
Hiring Rates for Different-Sized Oregon Businesses

Business Size (# of employees)	Welfare Hires per Business	Employees per Welfare Hire
Very Small (1-19)	2.1	3.1
Small (20-99)	2.4	19.3
Mid-sized (100-499)	2.2	91.7
Large (500-plus)	4.2	403.1
ALL BUSINESS SIZES	2.3	41.5

Industry Sector

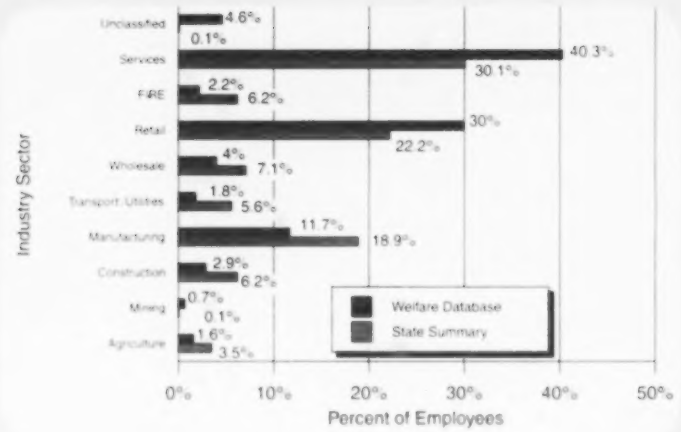
When comparing the welfare recipient per firm distribution to state summary figures with respect to industry sector, differences were much smaller than by size class. Figure 23 shows that, following overall state patterns, most firms that employed welfare recipients were in the retail and service sectors. This same pattern was found when the number of employees (Figure 24) was examined. The retail and service sectors accounted for an even higher percentage of firms and positions in the welfare sample, compared to state summary data. Those two sectors accounted for 73.5 percent of the businesses and about 70.3 percent of the welfare recipients in the Oregon data. Both figures were more than 15 percent greater than comparable state summary figures. Mining businesses also showed greater numbers of businesses and welfare recipients than expected, though the differences were slight. Manufacturing businesses accounted for a large portion of the remainder of welfare recipients employed (11.7 percent), but that figure was about 7 percent below that expected from state summary data. The difference came despite the fact that a larger than expected number of manufacturing businesses

Figure 23:



Distribution of Oregon businesses by industry sector.

Figure 24:



Distribution of Oregon welfare recipients and total employees by industry sector.

employed welfare recipients. All other industry sectors accounted for fewer businesses and welfare hires than expected.

▸ **Hiring Rates.** The mean number of welfare recipients hired for each industry can be found in Table 20 below. A striking finding is that all sectors, except for FIRE, had employee-to-recipient ratios of fewer than 50 employees per recipient. In large part, this was because of the small size of businesses that hired recipients. All sectors except FIRE averaged fewer than 100 employees. This indicates that welfare recipients were likely having a large impact on businesses that hired them in all industry sectors. Businesses in the manufacturing sector employed more welfare recipients (3.1 recipients per firm) on average than all other sectors. This is different from the pattern seen in the aggregate and other state analyses.

▸ **Hiring by Industry Sub-Sector.** When the industry sectors were subdivided even further, it was found that 29 percent of welfare recipients were employed by either eating and drinking places or business services firms (Table 21). Not surprisingly, all but one of the top 10 hiring sub-sectors was either a retail or service sub-sector. Table 21 also shows firm size measurements for

Table 20:
Hiring Rates for Oregon Industry Sectors

Industry	Average Size (# of employees)	Median Size (# of employees)	Welfare Hires per Firm	Employees per Welfare Hire
Manufacturing	68.3	37.0	3.1	22.4
Services	89.4	28.0	2.2	39.8
Wholesale	15.6	4.0	2.2	7.1
Retail	97.9	14.0	2.0	48.3
Mining	6.5	6.5	2.0	3.3
Transportation/Utilities	49.2	27.0	2.0	24.6
FIRE	493.5	1.0	2.0	246.8
Construction	8.3	5.0	1.6	5.2
Agriculture	9.5	9.5	1.5	6.3
ALL INDUSTRIES	93.9	16.0	2.2	42.5

each of the industry sub-sectors. The most important measurement to note is the wide range in mean size, which indicates wide variation in firm size among these sub-sectors. While most sub-sectors averaged fewer than 100 employees, there were a few with quite large numbers. Most median sizes are similar to the averages, indicating homogeneity of size within the sub-sectors. Two striking exceptions were business services and general merchandise stores. In these sub-sectors, a large mean business size was contrasted by a small median size. This indicates a wide variety in the size of businesses in these sub-sectors.

Earnings

Oregon provided data to calculate both quarterly and weekly earnings. Weekly earnings can help estimate the effect that employment duration has on quarterly earnings. A more thorough analysis of weekly earnings can be found in the Technical Appendix. However, some of the highlights are

Table 21:

Top Industry Sub-Sectors in Oregon (based on percent of total welfare hires)

	Welfare Hires			Total Business Employment	
Industry Sub-Sectors	**No.**	**Percent of Total Hires**	**Rank**	**Mean**	**Median**
Eating & Drinking Places	91	16.7	1	45.3	15.5
Business Services	69	12.6	2	200.5	56.0
Hotels/Lodging	35	6.4	3	39.6	11.0
Health Services	32	5.9	4	76.3	39.0
Social Services	30	5.5	5	50.6	29.0
Food & Kindred Products	29	5.3	6	32.4	27.0
Food Stores	23	4.2	7	21.3	5.5
General Merchandise Stores	16	2.9	8	629.8	26.5
Engineering/Management Services	15	2.7	9	10.0	10.0
Printing & Publishing	14	2.6	10	26.8	24.0
Special-Trade Contractors	13	2.4	11	20.2	3.5
Auto Dealers/Service Stations	12	2.2	12	28.8	13.0
Unclassified	12	2.2	12	284.0	277.0
Miscellaneous Retail	11	2.0	14	19.6	11.0
Lumber & Wood Products	10	1.8	15	103.7	114.0
Personal Services	10	1.8	15	4.3	3.0
Nondurable Wholesale Trade	9	1.6	17	8.8	5.5
Heavy Construction	8	1.5	18	8.0	3.0
Apparel & Accessory Stores	8	1.5	18	25.0	25.0
Amusement & Recreation Services	8	1.5	18	34.0	30.0

Note: Rank based on the number of welfare recipients employed in 51 industry sub-sectors. Only the top 20 sub-sectors are shown. Those 20 account for 83.3 percent of total welfare hires.

presented here, along with analysis of quarterly earnings. This analysis shows that intermittent employment is at least part of the reason that welfare recipients showed low quarterly earnings in Oregon.

Overall, the average welfare recipient gained quarterly earnings that were 75 percent of the minimum-wage earnings standard. About 32 percent of the recipients had earnings above the standard. There were no significant differences in quarterly earnings across size or industry sectors.

Analyzing quarterly earnings data for each of the top sub-sectors allowed the examination of the earnings paid in the sectors that hired the most welfare recipients. The analysis revealed that most working welfare recipients either were employed intermittently, had part-time jobs or were paid low wages. Ranking the overall mean quarterly earnings for each sub-sector demonstrated the differences among sub-sectors. The measurements in Table 22 indicate low quarterly earnings in the top hiring sub-sectors, with some exceptions. Among the top 10 hiring sub-sectors, two had quarterly earnings above the minimum-wage earnings standard — printing and publishing, and engineering and management services. Only printing and publishing provided more than half of the welfare recipients employed with earnings above minimum.

The average weekly earnings for Oregon welfare recipients were 112 percent of the earnings standard, with 50 percent of the jobs above the standard. Little difference in weekly earnings or job status existed across business size classifications. Size did matter, however, when combined with industry sector in some cases. Small, manual labor-oriented businesses[14] provided better weekly earnings (216 percent of minimum) than all other classifications. The difference was significant compared with all but large manufacturers (175 percent of minimum). Thus, it appears that firms in those size-sector categories provided better-paying and more full-time employment than others. Those two categories also provided the highest percentage of jobs with weekly earnings above the earnings standard (82 percent and 78 percent, respectively). However, partly because of the small sample size, the differences with most other classifications were not significant. On the other side, large trade firms provided a significantly smaller percentage of jobs above the weekly earnings standard (5 percent) than all other classes. Most jobs in this classification were likely to pay low or be part time.

These results indicate that intermittent employment may explain a large part of quarterly wage shortcomings for Oregon welfare recipients. On average, weekly earnings were 37 percent higher than quarterly earnings when compared to the minimum-wage earnings standard. Also, 18 percent more recipients were above the standard at the weekly level than at the quarterly level. However, this does not hold up for all industry sub-sectors. Low quarterly and weekly earnings indicate that many jobs obtained by welfare recipients were part time, especially those in general merchandise stores, hotels/lodging and eating and drinking places. Alternatively, the construction and lumber industries and apparel stores provided more full-time or higher-paying work to welfare recipients. It should be noted here again, however, that the Oregon sample size is very small, so averages are sometimes based on only a few observations.

Welfare Recipient Characteristics

Because of the small sample size for Oregon, firms were grouped into four industry categories for this part of the analysis. Those categories were manual labor firms (including agriculture, mining and

[14] A category formed for analytic purposes that includes agriculture, construction, mining and transportation/utilities.

construction firms), manufacturing firms, trade firms (including wholesale and retail firms) and general service firms (including services and FIRE). This represented the best way to group industries while maintaining important functional differences.

▶ **Age.** There were no significant differences in welfare recipient age among firms of differing types or sizes. A small sample size may offer some explanation as to the lack of significance, especially since two other states did demonstrate some significant trends. Therefore, the slight trends found in some areas are presented. The average age of the Oregon sample was 32.1 years. Older welfare recipients were more likely to work for larger firms, with recipients in the smallest firms averaging 29.3 years of age and those in large firms averaging 32.8 years. Also, trade firms employed

Table 22:

Quarterly Earnings Measurements for Top Industry Sub-Sectors in Oregon (listed by percent of total welfare hires)

	Quarterly Earnings:				
Industry Sub-Sector	**Mean**	**Rank***	**Median**	**Mean % of Earnings Standard**	**% Above Earnings Standard**
Eating & Drinking Places	$1,361.30	33	$1,021.00	61.4%	24.2%
Business Services	$1,420.90	32	$ 680.00	64.0%	30.4%
Hotels/Lodging	$ 602.43	43	$ 167.00	27.2%	8.6%
Health Services	$1,830.50	23	$1,375.50	82.5%	37.5%
Social Services	$1,864.60	22	$1,313.50	84.0%	40.0%
Food & Kindred Products	$1,441.76	30	$1,098.00	65.0%	31.0%
Food Stores	$1,823.17	24	$1,955.00	82.2%	39.1%
General Merchandise Stores	$ 536.13	44	$ 345.00	24.2%	0.0%
Engineering/Management Services	$2,230.47	11	$1,931.00	100.5%	33.3%
Printing & Publishing	$2,715.21	8	$2,214.00	122.4%	50.0%
Special-Trade Contractors	$2,689.69	9	$2,528.00	121.2%	61.5%
Auto Dealers/Service Stations	$ 906.67	38	$ 554.00	40.9%	16.7%
Unclassified	$2,213.08	12	$ 861.50	99.8%	33.3%
Miscellaneous Retail	$2,187.64	15	$2,862.00	98.6%	63.6%
Lumber & Wood Products	$3,418.80	5	$3,572.00	154.1%	80.0%
Personal Services	$1,252.50	34	$ 898.00	56.5%	30.0%
Nondurable Wholesale Trade	$2,157.78	16	$1,839.00	97.3%	33.3%
Heavy Construction	$3,047.63	7	$1,092.50	137.4%	37.5%
Apparel/Accessory Stores	$2,572.88	10	$2,646.00	116.0%	62.5%
Amusement/Recreation Services	$1,929.63	21	$1,686.50	87.0%	50.0%

*Note: Rank based on quarterly earnings in 51 industry sub-sectors. Only the top 20 hiring sub-sectors are shown.

recipients who were nearly 1.5 years younger (30.7 years) than other firms (32.1 years) on average, while manufacturing firms employed recipients who averaged 33.9 years of age.

▸ **Education.** Oregon welfare recipients averaged 12.1 years of education. Again, there were no significant differences among the education levels of recipients employed by firms of different types and sizes. There were some slight trends, however. Small firms hired recipients with two years' more education than large ones (12.7 vs. 10.5 years of education). Trade firms hired recipients with more than a year's worth of extra education (12.9 years) than any other industry. As expected, small trade firms hire the most-educated recipients, averaging 13.2 years of education.

▸ **Race.** About 91 percent of the JOBS sample population was classified as white. This made it difficult to draw any meaningful conclusions about hiring trends along racial lines. No differences in hiring patterns were significant.

▸ **Gender.** Overall, 80 percent of the welfare recipients in the sample were women. There was a clear trend among size classes toward hiring along gender lines. Large firms employed fewer women, with the largest firms hiring significantly fewer (40 percent) than any of the other size groups. However, large trade firms broke this trend, with all 20 recipients employed being women. Across industries, three distinct groups arose. Manual labor firms employed significantly fewer women (38 percent) than all other classifications. Trade firms, on the other hand, employed 90 percent women. This was significantly greater than all but general service firms (81 percent).

Summary

The Oregon analysis yielded the following important results.

- A majority of the welfare recipients were employed by very small businesses (53 percent).
- Most welfare recipients were employed by retail and service industries (70 percent).
- Manufacturing businesses employed the most recipients per business.
- Most businesses that employed welfare recipients had employee-to-recipient ratios of less than 100:1.
- Most recipients employed by the top hiring industry sub-sectors had low earnings, with several important exceptions.

Conclusions

This analysis represents the first attempt to analyze data from matched welfare recipient and employer records across multiple states. This work yielded results believed to be instructive about the nature of the welfare-to-work process. Overall, each state could benefit from the information gained through this unique records match. This approach is intended to be merely a starting point, an example of the type of information that can be gained from analyzing the welfare recipient-employer interaction. This should provide each state with a foundation from which to build an analysis tailored to its own needs.

The analysis revealed important results about the patterns of employment of welfare recipients. Much was also learned about the process involved in collecting and analyzing this type of information. These important findings are listed below. Because of these results, several recommendations about improvements in the process are listed, as well as some suggestions for further research that would strongly enhance the findings contained within this report.

Key Findings

Overall, the analysis yielded several meaningful results that should inform future welfare-to-work policy. Some findings were consistent across all four states, while others were unique to one state. The most important results are found below.

- **Aggregate Findings.**
- More welfare recipients found employment in firms with more than 100 employees than in smaller firms, which is contrary to employment patterns for the U.S. as a whole. Overall, 61 percent of welfare recipients were employed by businesses with 100 or more employees.

- Far fewer very small businesses (fewer than 20 employees) employed welfare recipients than was expected from state business patterns.

- For firms hiring recipients, larger firms (more than 100 employees) maintained a greater number of employees per recipient than did smaller firms. Specifically, very small businesses (less than 20 employees) employed one welfare recipient for every seven employees on average, while large firms (500 or more employees) averaged ratios of one recipient for every 187 employees.

- The pool of businesses that employed welfare recipients consisted of a substantial number of very large businesses (with up to 89,000 employees) that employed large numbers of recipients, and many smaller businesses that could employ only one or two recipients.

- Recipient hires were clustered in a small number of industry sectors, including the stereotypical sectors of service and retail. Specifically, business services, eating and drinking places and health services sub-sectors employed the largest proportion of welfare recipients.

- Personnel services made up a large portion of the business services sub-sector, which implies that many welfare clients could not be tracked to their ultimate employer because they were hired through employment agencies.

- Manufacturing businesses employed welfare recipients at a lower rate relative to their overall representation in the economy than did other firms. The manufacturing industry also displayed a greater than expected number of large businesses

that employed welfare recipients, but these large businesses employed a smaller number of recipients than may be expected.

▶ Welfare recipient quarterly income was, on average, 92 percent of the income a worker would receive working full time over a three-month period at minimum wage. Further, only 37 percent of welfare recipients received quarterly earnings above this minimum-wage earnings standard.

▶ Welfare recipients in industries that employed large numbers of recipients received substantially lower earnings than those in industries that employed few recipients. An important exception is health services.

▶ Welfare recipients employed by small and very small businesses had comparatively higher earnings than did those employed by larger businesses, which perhaps contradicts conventional wisdom.

▶ Nonwhite welfare recipients were less likely to be employed by smaller firms as well as to be employed in the manufacturing and construction sectors. In contrast, larger firms and businesses in the service and transportation/utility sectors were more likely to employ nonwhite welfare recipients.

▶ **Specific State Findings.**

▶ Although fewer very small businesses employed welfare recipients in Oregon, more total recipients were employed by very small businesses than were expected. In this respect, Oregon differed significantly from the other three states.

▶ Large businesses in Florida and Missouri employed a significant majority of welfare recipients, with relatively few jobs coming from very small businesses.

▶ Large businesses in Oregon hired welfare recipients at much lower rates than in all other states.

▶ Welfare recipients in Missouri and Oregon had higher quarterly earnings on average than did those in Florida and Maryland.

Obstacles and Improvements

In the course of any study that breaks new ground, important lessons are learned about data collection and analysis that should have value to those who attempt similar work in the future. This study was no exception.

First, state agencies exhibited widely varied abilities to provide the data needed to complete the analysis. Each state approached for this study had a different set of difficulties in matching welfare recipient and employer records. Three were completely unable to participate. Although such abilities are likely to increase in the coming years, it should not be assumed that states will be able to easily carry out data matches of this kind.

Second, because the research team attempted to accommodate differences in the data systems and record structures of the states to minimize the burden on those conducting the record matching, each provided a slightly different data set. While the accommodations were not particularly important to the states, the resulting differences in the data sets created major obstacles to conducting the required analyses. Although these were overcome for the current project, other researchers would be wise to push for the greatest possible degree of commonality in the data provided by each state in a multistate project.

Third, the question of using firm- or

establishment-level data raised significant issues. Individuals typically seek work with establishments, not firms. That is, they apply for jobs at a particular business location. However, most ES-202 data is reported at the firm level rather than by business establishment, although this is changing in many states. As a result, the analysis of records matched to this database makes it appear that welfare recipients work in larger business places than is actually the case. Researchers must be very clear about the exact composition of the ES-202 files in the states with which they work, and must take the issue into account in the analysis and reporting. In the case of cross-tabulations by size and industry sub-sector, this project used County Business Patterns data for the analysis. This data source uses establishment data and is, therefore, not directly comparable with firm-level data. The U.S. Census Bureau is currently researching the differences between CBP and ES-202 and the results of this analysis will be useful to researchers who by necessity must utilize both.

Finally, the issue of confidentiality of records emerged several times during the study. In Oregon, this resulted in a database containing a very small number of records, which made it difficult to draw statistically meaningful conclusions for several of the analyses completed for the other three states. In most states, at least some key staff members were unclear about the federal and state confidentiality regulations or simply had an inaccurate understanding of these important matters. Although all of the data requests were well within the bounds of acceptable use of the records, the research team needed to clarify these issues with state staff in order to obtain the needed data.

Further Research

There are additional elements of research that would enhance the understanding of welfare trends. First, it was not possible to conduct a meaningful geographical analysis of welfare resident and business locations. A study that could use address or zip code information to examine clustering and distances between residence and work locations could reveal geographical patterns in the types of welfare recipients who get employed and in the businesses that do the hiring.

Second, it is important to determine the type of work that welfare recipients are being employed to do. The states sampled were not able to provide much information regarding the full-time or part-time nature of work, duration of employment or the type of employment obtained. This information could help state programs target those industries that provide the highest quality jobs for welfare recipients.

Third, through focus groups, it was found that employers are expressing interest in potential employees' basic job preparation and "soft" skills. They were most concerned with employees' ability to show up on time, conduct themselves in a professional manner and get along with their fellow employees. Gaining some measure of the skills and experience that welfare recipients bring to an employer would likely provide some insightful results. Also, it would be valuable to include a measure of the skills taught in the job preparation or training program. It would be instructive to see if these skills indeed have an impact on a welfare recipient's likelihood of being employed by different types and sizes of firms.

Fourth, as mentioned in the aggregate analysis, it was found that temporary employment agencies may have a large impact on welfare recipient employment. However, this cannot be matched with data on the firms that take on these temporary employees. Further research into the size and nature of temporary agency impact would

provide valuable insight. Important questions to ask are: What is the temporary agency's role? How long do employees stay in these temporary jobs? How do firms hiring through temporary agencies compare to those hiring directly from welfare-to-work programs? Do the long-term outcomes differ?

Finally, a study much like this one, but with data spanning perhaps eight quarters of employment records, would allow additional analyses that will be critically important to welfare-to-work agencies. First, it would allow direct measurement of job retention by recipients. Currently, the duration of employment is most often measured by recipient surveys. Such self-reports have problems with both accuracy and response rate. Second, it would support tracking of recipients through multiple jobs, which would yield a much better understanding of the early career path of individuals attempting the welfare-to-work transition. Often, leaving one job to take another is a step forward, but in traditional measurement systems, it may be indistinguishable from attrition. Job retention and career advancement are issues that must be better understood in order to develop better support systems and strategies for engaging business. The type of research suggested here could make a major contribution to that process.

Overall, it is believed that an analysis of the type presented in this report, examining many more states and combined with the research improvements suggested above, would provide a unique insight into the successes and difficulties that welfare-to-work programs face.

Appendix A: Glossary

This glossary contains definitions of standard terms intended to help the lay reader navigate this sometimes rather technical report more easily. It also contains terms that are unique to this analysis which, for even the sophisticated reader, may be somewhat confusing.

Aggregate analysis — Examination of the combined data of all four states, weighting data to reflect each state's proportion of the four-state JOBS population.

Business size class — This report defined four size categories for businesses:

- Very small — fewer than 20 employees
- Small — 20 to 99 employees
- Midsize — 100 to 499 employees
- Large — 500 or more employees

In several sections, the report also used a dichotomous size classification:

- Smaller — fewer than 100 employees
- Larger — 100 or more employees

CBP — County Business Patterns. An annual series that provides sub-national economic data by industry. Data are tabulated by industry as defined in the *Standard Industrial Classification Manual: 1987*. The CBP tracks businesses as establishments.

ES-202 data — Data collected by state employment security offices that contains quarterly information on businesses, including industry classification, business size and wages paid. This data generally is collected from businesses at the firm level. This also is referred to as Unemployment Insurance (UI) data.

ESA — Employment Security Agency. State offices that compile ES-202 data.

Employee-to-recipient ratio — A ratio of the number of employees to the number of welfare recipients per business type.

Establishment — According to the 1993 County Business Pattern definition, an establishment includes a single physical location at which business is conducted or services or industrial operations are performed. When two or more activities are carried on at a single location under a single ownership, all activities generally are grouped together as a single establishment. Many establishments may constitute a single firm.

FIRE — Financial, Insurance and Real Estate.

Firm — A business with single or multiple locations. For example, a fast-food chain is one firm with many smaller establishments.

Hiring rate — Measurement of the average number of welfare recipients from our database that were employed by each business.

Industry sector — General classification of business type or industry based on 10, one-digit SIC codes.

Industry sub-sector — Classification of business type or industry based on two-digit SIC codes.

JOBS — The federal Family Support Act of 1988 launched the Job Opportunity and Basic Skills (JOBS) program to "assure that needy families with children obtain the education, training and employment that will help them avoid long-term dependence." Efforts of many states included programs for intensive job searches and work experience for welfare recipients who were JOBS participants. Programs and policies vary across states. Although the Personal Responsibility and Work Opportunity Act of 1996 eliminated the terminology of JOBS programs, many states continue to use this language.

Manual labor firms — An industry classification used in this report for analytical purposes that combines the agriculture, mining and construction industries.

Matched records — Records that each state supplied that included the JOBS client and the firm with which the client found employment.

Mean — The average of a series of numbers.

Median — The midpoint value in a distribution, where half of the values are less than that number and the other half are greater than the number.

Minimum-wage earnings standard — Measurement of minimum income calculated as the amount that a person would earn by working full time at the federal minimum-wage rate for a full quarter. The quarterly standard was calculated based on the 1996 federal minimum wage of $4.25, which resulted in a standard of $2,218.50 in quarterly earnings.

Minority — Refers to people of color.

Nonwhite — Refers to people who do not classify themselves racially as white. This does not include people of Hispanic origin who classify themselves white.

Personal Services — Services provided to individuals, for example, barbers, valets, hairdressers, etc.

Personnel supply services — Four-digit SIC definition that refers to staffing agencies.

Project database - Each participating state matched Job Opportunity and Basic Skills (JOBS) program records from the last half of 1995 with Unemployment Insurance (ES-202) records from the first two quarters of 1996. This information was aggregated into the first multi-state database that matches a group of welfare recipients with their employers by firm size and type.

Recipient — In this report, recipient refers to a JOBS client. Because the matched data records included only JOBS clients, "JOBS recipient" is used interchangeably with "welfare recipient." All JOBS participants are welfare recipients but not all welfare recipients are JOBS participants.

Resource extraction — Industry classification that combined agriculture and mining classifications for analytical purposes.

SIC — Standard Industry Classification. The major economic divisions include agricultural services, forestry and fishing; mining; construction; manufacturing; transportation and public utilities; wholesale trade; retail trade; finance, insurance and real estate; and services. Codes may be one to four numbers in length depending on the specific business described.

Significant — A phenomenon or relationship that is not attributable to random chance and where reliable evidence exists to support the relationship among different variables. Significance in this report was measured using a variety of statistical tests, consistently using the 0.05 α-level threshold.

Unemployment Insurance (UI) data — See ES-202 data.

Welfare-to-work — Federal and state initiatives to transition welfare recipients to employed and self-sufficient status. Programs and policies vary across states.

Welfare recipient — A person who had received Aid to Families with Dependent Children in the past and now falls under the Temporary Assistance for Needy Families (TANF) program. A subset of recipients participated in JOBS-type programs. Now, under TANF, large portions of recipients are asked to engage in eligible work activities.

Appendix B: Technical Appendix

This appendix describes the methodology used to conduct the multiple-site analysis of welfare recipient-employer interactions presented in the main report. Included in this appendix are analytical details related to:

- Data collection
- Data formatting and other manipulation
- Statistical analysis and interpretation

As in any study of this scope and complexity, it is important that the reader understand the limitations of the data and the possible biases they may contain. Those limitations are discussed in the final section of this appendix.

Data Collection

This project began with the intention to match data about welfare recipients and employers who hire them. That required access to and use of both recipient and employer databases. The research team determined that, in some states, data agencies existed that had relationships with both the welfare and employment security agencies and could, therefore, access both of the respective data sets. It became clear early on, however, that few states had the resources or capacity to efficiently carry out the data collection and record match that was required. Therefore, several states were chosen to serve as case studies based upon their geographic diversity and their ability to generate the matched data sets. Originally, Michigan, Florida, Maryland, North Carolina, Oregon and Texas were selected. After a few months, North Carolina withdrew from the project and was replaced by Missouri. That left six states from different regions of the country that agreed to participate in the study and to provide information on both welfare recipients and their employers.

Over the course of the study, only four of the six states were able to provide useable data sets. After a year of participation and full cooperation from the Michigan Jobs Commission, the Michigan Employment Security Agency was unable to deliver matched records that met the specifications, and the agency did not have the capacity to resolve the difficulties. Texas was dropped from the project after promising for more than a year to provide appropriate data. Thus, the analysis was conducted using four states: Florida, Maryland, Missouri and Oregon.

Data and Data Sources

The data used in this analysis came from three sources: state welfare agencies, state Employment Security Agencies (ESA) and the U.S. Census Bureau. The following data were requested from each of the following sources:

- Welfare Agencies. Data on the characteristics of welfare recipients who participated in the JOBS program between July and December of 1995. It was specifically requested that each state provide a unique recipient ID, recipient date of birth, recipient race, recipient education level, recipient location (county and zip code) and recipient exit date.

- Employment Security Agencies (ESA). Data on businesses that employed welfare recipients listed in the welfare agency data during the first or second quarters of 1996, as well as state summaries of business patterns. The project team specifically requested a unique business ID, four-digit Standard Industrial Classification (SIC) code, number of employees, business location (county and zip code) and recipient earnings. Summaries

of state ES-202 data for comparison from each ESA also were obtained.

▶ U.S. Census Bureau. For cross-tabulation comparison, the project team collected state and national data on the number of establishments and number of employees by SIC code through the latest published County Business Patterns (CBP). At the time of this analysis, the latest CBP data set was 1994.

To complete the data match, each welfare agency forwarded the Social Security numbers (SSN) of their welfare recipients to the state's ESA. The ESA then sent back data on businesses that included those welfare recipients as employees. The records of welfare recipients and businesses were then appended to form one data set that the compiling agency forwarded. Only records from the first two quarters of 1996 were requested in order to create a six-month time lag during which recipients could be given the chance to find work.

State summary data of ES-202 records also were collected from ESAs. These summaries were tables that contained frequencies of businesses and employees by employment size and industry classification. The dates over which each state compiled the summary data varied. These dates are shown below in Table B-1. Because the distribution of firms in a state economy changes very slowly, the differences are inconsequential.

A more accurate comparison would have been to examine the welfare data with data on business hiring patterns, rather than total employment. This would have provided for a more direct comparison between the welfare hiring patterns and each state's overall hiring patterns for the same time period. This way, if a particular industry was in a strong hiring pattern for the whole state, this would be shown in the comparison data. Also, it has been pointed out that, in a changing economy, hiring patterns may differ significantly by firm size. Using hiring patterns would eliminate these differences from influencing the analysis.

However, data on hiring patterns is not readily available. Although it may be possible to extract this information from Current Population Survey data, this is not currently being done by the census and was beyond the scope of this analysis. Data of this type would enhance analyses of the type presented in this report.

Data Formatting

The project team received a diverse array of data from the four states. All four states sent the information requested, and each state included additional information for use. Where possible, an attempt was made to analyze the additional information in the state-level analysis. Each state

Table B-1:
State Summary Data Collection Periods

	Data Summaries			
State	Size (Businesses)	Size (Employees)	Industry (Businesses)	Industry (Employees)
Florida	1st qtr. 1996	1st qtr. 1996	1st qtr. 1997	1st qtr. 1997
Maryland	4th qtr. 1996	4th qtr. 1996	1996 average	1996 average
Missouri	1st qtr. 1997	March 1997	1st qtr. 1997	March 1997
Oregon	1st qtr. 1995	1st qtr. 1995	1996 average	1996 average

also returned a unique number of matches. Florida's data set included 38,164 matched records on the high end, while Oregon's data set only included 546 matched records within the time period requested. The small size of Oregon's data set was partly because of the state's legal requirements to obtain permission to release personal information from each welfare recipient. This policy also may have created some bias in Oregon's data set, since only those welfare recipients who had already provided a confidentiality release were included. There is no way to know whether these recipients were systematically different from those who did not provide such releases. The incidence of consent depended greatly on the individual case managers and their attitude toward the data collection. Some managers viewed data collection as important, while others were indifferent.[1] Maryland's data set included 8,772 matched records and Missouri's included 8,057.

In addition to the matched records, each data set included numerous welfare recipient records that were not matched with employer records. These were removed from the database because the project team was concerned only with those welfare recipients who attained employment.

The next step was to define the unique records. Because the types of jobs that welfare recipients received were of interest, a given recipient-job was selected as the base unit for unique database records. Thus, the results reflect specific recipient-employer interactions. Both welfare recipients and businesses could appear in multiple records but a specific relationship should appear only once in the database. However, because data were reported for two quarters, there were many cases in which a welfare recipient was listed as an employee of the same employer for both quarters. Thus, the database was queried for multiple recipient-jobs and duplicates were eliminated. To do this efficiently, it was necessary to keep the earlier record of the two duplicates in each case. This provided a sample of quarterly job experiences, with no identical jobs repeated in the sample.

However, when examining quarterly earnings data, a different approach was taken. The database was queried for welfare recipients with earnings in each quarter separately, so that two tables were created — one with first-quarter earnings and one with second-quarter earnings. These tables were then combined into a data table with both first- and second-quarter earnings with all employers for each recipient. This table was used for the analysis of overall earnings for welfare recipients and job retention figures.

The final formatting step was to code the data from each state so that entries were ready for analysis and were compatible with the other states. The following is a brief explanation of data transformations and adjustments for each data field.

- Date of birth was converted into age, and any entry more than 100 was considered missing data.
- Race entries were reclassified into three categories: white, nonwhite and unknown.
- Education was represented as years of schooling, such that the year was equivalent to the highest grade-level completed. Years of education beyond high school were added to 12. Graduate-level work was coded up to 20 years of total education.
- Location codes and exit dates were not used in the analysis.
- SIC codes were used as one-, two- and four-digit classifications and analyzed relative to their definition. Any codes that were not defined (i.e., two-digit codes less than 07) were re-coded into the "unclassified" category.

[1] Based on conversations with Bryan Conway, research analyst for the Oregon Employment Department.

▶ Number of workers was used at face value, with the exception that entries of 0 were considered missing data. Number of workers was also classified into four categories for analysis: "very small" (1-19 employees), "small" (20-99 employees), "midsize" (100-499 employees) and "large" (500 or more).

Earnings

The formatting of earnings data required considerable effort. The earnings data for three states were reported for each full quarter, but Missouri instead included a sum of the welfare recipient earnings during the period from July 1995 to December 1996 — a period of six quarters. While measuring quarterly earnings is a somewhat inaccurate analogue of full-time, full-quarter earnings, the longer period of six quarters, adds further bias. It is likely that a large number of welfare recipients failed to stay with one employer for 1½ years. While this also is true for a quarterly measure, the bias is much stronger for longer-term earnings. Quarterly earnings were calculated for Missouri by dividing the earnings figures by six quarters.

For comparison, a technique was used that compared the earnings level to a reasonable benchmark: a minimum-wage earnings standard. This quarterly standard was calculated based on the 1996 federal minimum wage of $4.25 per hour using Equation 1:

Equation 1: $S = wh[(y/m/d)q]$

where S is the quarterly minimum-wage earnings standard, w is the wage ($4.25/hr), h is the hours in a full-time work week (40), y is the days in a year (365), m is the months in a year (12), d is the days in a week (7), and q is the months in a quarter (3). Solving the equation yields a standard of $2,218.50 in quarterly earnings.

From this standard, two measures were generated. The first measure was the percent of minimum-wage earnings standard met (quarterly earnings divided by S), and the second was a counter variable defined as 1 if the earnings were above minimum standard and 0 if they were below. This second variable was later used to determine the percent of a group that received quarterly earnings above the minimum standard. Additionally, the quarterly earnings were retained for state analysis.

Oregon included a measure of the number of weeks in the quarter that each welfare recipient worked. This was used to calculate weekly earnings for Oregon jobs by dividing quarterly earnings by the number of weeks worked in the quarter. A weekly minimum-wage earnings standard was also calculated so that the two additional measures mentioned above could be calculated at the weekly level.

Data Analysis

Once the data were formatted properly in each state's database file, a statistical analysis was able to be conducted on two levels. These levels were a state-level analysis and an aggregate analysis across all four states. Within each of these levels, the research focused on four areas: business size, industry classification, earnings and welfare recipient characteristics. The overall intent of these analyses was to examine similarities and differences in the size and types of businesses that hire people who have been on public assistance, the earning potential in these jobs and the characteristics of welfare recipients hired by firms of different types and sizes. The project team also compared business findings to overall business patterns nationally and in each state. All differences were considered significant if the probability of such a difference was less than 0.05 (α level).

In the report, only those findings that met such a significance test were listed as "significant."

State-Level Analysis

Business Size.

The first comparison involved the size of businesses hiring welfare recipients. In particular, the project team was interested in determining the degree to which small firms were active in the welfare-to-work process. Business size was compared in three ways.

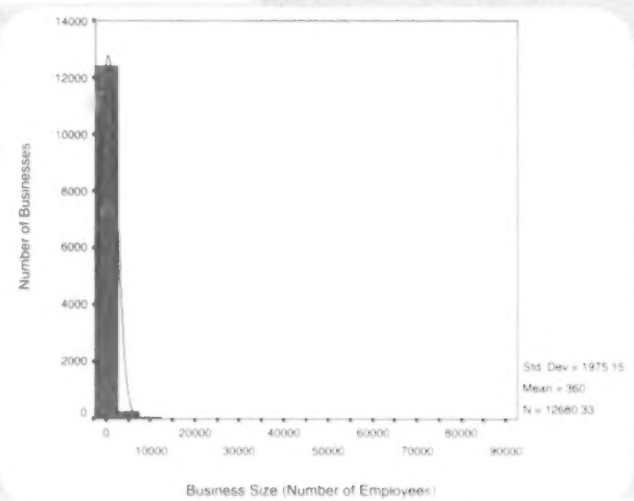
- First, the number of firms in each size category that hired welfare recipients was totaled. This was compared to the number of firms in each size category for the entire state as found in state summary data. The chi-square test was used to determine if the differences across all four categories were significant.

- The second comparison looked at the total number of welfare recipients hired by firms in each size class. These figures were once again compared to state summary data. The chi-square test was used to determine significant differences.

- Finally, the rate at which businesses in different-size classes hired welfare recipients was examined. To do this, the number of welfare recipients hired by each firm was summed, then the mean number of hires per firm for each size class was calculated. Further, the welfare hires per firm were divided by the total number of employees per firm to establish a measure of hiring rate that accounts for each firm's size. This employee-to-recipient ratio was calculated for each firm and averages were reported by size class. These figures were presented without comparison to a standard.

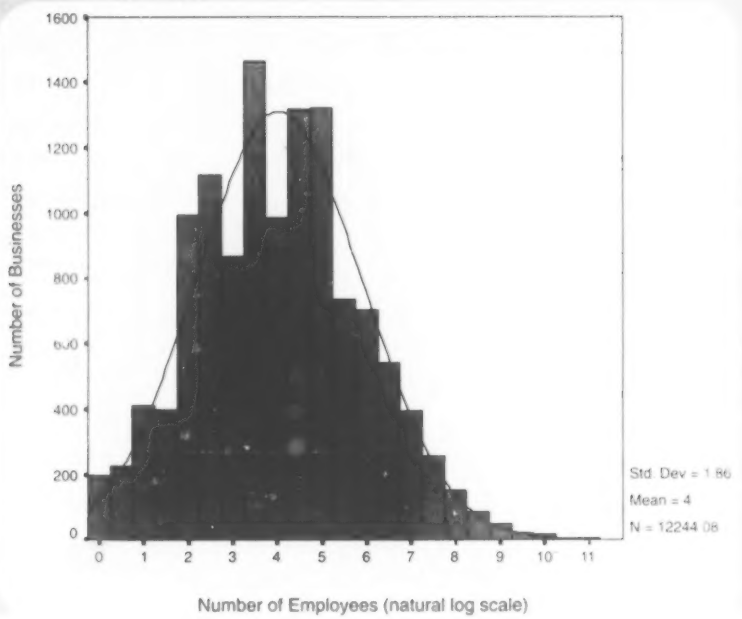
In addition to the comparisons described above, the overall distribution of business sizes was also examined. This was done to help explain why there were such large differences between average and median firm size. The figures below illustrate the distribution of businesses by their employment size. Figure B-1 shows the histogram of this distribution on a linear scale. Figure B-2 shows this same histogram on a natural log scale to normalize the distribution. From these figures, it can be seen that the distribution is highly skewed to the left. Most businesses are quite small, but several large businesses have employment well above 10,000 employees. This results in a high average employment size overall (360 employees), with a much lower median employment (48 employees).

Figure B-1:



Histogram of the distribution of businesses by number of total employees. The normal curve is also shown.

Figure B-2:



Histogram of the distribution of businesses by number of total employees displayed on a natural log scale, such that number of employees = 2.7^n where n is the value on the x-axis. The normal curve is also shown.

Because Missouri reported business size information only in categorical classes, averages for this data set had to be estimated. To do this, the midpoint of each size classification was assumed to be the size of each business. At the small end, this creates little problem because the size class range is small. However, with larger businesses, the classes were wider, and the largest class (1,000 employees or more) was open-ended. For the largest class, a value of 2,000 was assumed, which was estimated from businesses in this size class in the other states. This may have had the effect of creating lower average size estimates for businesses in Missouri. The categorical nature of the Missouri size data also affected the employee-to-recipient ratios for Missouri and the aggregate data set. For this reason and the reasons listed directly above, the reader should use the median size to make business size comparisons.

Industry classification. In much the same way as with business size, differences in the industries represented were examined. The number of firms in each one-digit SIC class were first summed.[2] The result was compared to state summary data organized into the same categories. The chi-square test was used to determine significance. Next, the same comparisons were conducted substituting welfare recipients for firms. The hiring rates of different industries were also examined in the same way as was done with business size. Finally, the industry sub-sectors (as defined by two-digit SIC codes) were examined by the number of welfare recipients employed. The sub-sectors were ranked in order by number of welfare recipients employed. The top 20 sub-sectors were listed in the report along with the mean and median size (number of employees) of businesses in each sub-sector.

Earnings. Quarterly earnings were examined for each state across business size, industry sector and industry sub-sector classifications. For each category, the following calculations were examined: mean

[2] The single digit SIC code classifies businesses into 10 categories.

earnings relative to the minimum-wage earnings standard and the percent of jobs in each classification that was above the standard.

The first calculation was ranked across industry sub-sectors and reported for the top 20 sub-sectors listed in the previous section. This was done to provide a comparison of earnings across those industries most active in hiring welfare recipients. For major industry classification and size class, figures were compared to each other using Tukey's post-hoc comparison to determine significant differences. Only these significant differences were listed in the report. Some condensing of industry classifications was necessary to conduct statistical tests. For Maryland and Florida and in the aggregate analysis, mining was combined with agriculture since there were so few mining cases. Mining, agriculture and transportation/utilities were combined in Oregon and Missouri. Wholesale and retail trade were also combined in Oregon. This same condensation was

Table B-2:

Earnings For Top Industry Sub-Sectors in Oregon (listed by percent of hires)

	Quarterly Earnings				Weekly Earnings		
Industry	**Mean**	**Rank***	**Mean pct. of standard**	**Pct. above min.**	**Mean**	**Mean pct. of standard**	**Pct. above min.**
Eating and Drinking Places	$1,361.30	33	61.4%	24.2%	$ 141.82	83.4%	34.1%
Business Services	$1,420.90	32	64.0%	30.4%	$ 205.21	120.7%	60.6%
Hotels/lodging	$ 602.43	43	27.2%	8.6%	$ 93.44	55.0%	22.9%
Health Services	$1,830.50	23	82.5%	37.5%	$ 211.60	124.5%	64.5%
Social Services	$1,864.60	22	84.0%	40.0%	$ 182.02	107.1%	55.2%
Food and Kindred Products	$1,441.76	30	65.0%	31.0%	$ 165.40	97.3%	44.8%
Food Stores	$1,823.17	24	82.2%	39.1%	$ 172.07	101.2%	60.9%
General Merchandise Stores	$ 536.13	44	24.2%	0.0%	$ 93.21	54.8%	0.0%
Engineering/Mgt. Services	$2,230.47	11	100.5%	33.3%	$ 203.42	119.7%	50.0%
Printing and Publishing	$2,715.21	8	122.4%	50.0%	$ 234.39	137.9%	50.0%
Special-trade Contractors	$2,689.69	9	121.2%	61.5%	$ 341.81	201.1%	91.7%
Auto Dealers/Service Stations	$ 906.67	38	40.9%	16.7%	$ 147.36	86.7%	50.0%
Unclassified	$2,213.08	12	99.8%	33.3%	$ 198.30	116.6%	41.7%
Miscellaneous Retail	$2,187.64	15	98.6%	63.6%	$ 184.56	108.6%	63.6%
Lumber and Wood Products	$3,418.80	5	154.1%	80.0%	$ 316.55	186.2%	90.0%
Personal Services	$1,252.50	34	56.5%	30.0%	$ 110.29	64.9%	30.0%
Non-Durable Wholesale Trade	$2,157.78	16	97.3%	33.3%	$ 209.10	123.0%	66.7%
Heavy Construction	$3,047.63	7	137.4%	37.5%	$ 532.93	313.5%	87.5%
Apparel/Accessory Stores	$2,572.88	10	116.0%	62.5%	$ 224.20	131.9%	87.5%
Amusement/Recreation Services	$1,929.63	21	87.0%	50.0%	$ 232.62	136.8%	62.5%

*Note: Rank based on mean quarterly earnings in 51 total industries. Only the 20 top hiring industry sub-sectors are shown.

necessary for the analysis of welfare recipient characteristics.

In Oregon, a comparison with weekly earnings was also done. Weekly earnings provide a measure that removes the duration of employment and allows one to see the effect employment duration has on quarterly earnings. In Oregon, it was found that in all cases, when compared to the minimum-wage earnings standard, weekly earnings are considerably higher than quarterly earnings (Table B-2). This suggests that many jobs that welfare recipients are obtaining in Oregon are short-term or intermittent.

Characteristics of Welfare Recipients.
As with earnings, welfare recipient demographic characteristics were compared across business size and type classifications. For all states, age, race and education were compared. Additionally, the project team analyzed by gender for Oregon and by work experience (number of months employed out of the last 12) for Missouri. The relevant statistics for comparison were as follows: mean age, percent nonwhite, mean education, percent women and mean experience (in months). For each characteristic, the project team compared the statistic for each classification to each of the others using Tukey's post-hoc comparison to determine significant differences. Where differences were significant, they were noted in the report.

Additionally, industry and size class were crossed to look for interactions between the two characteristics. This was done by creating a binary measure of size, where 100 employees were used as the dividing line between larger and smaller firms. The result was crossed with industry classifications to examine differences within industries. The same significance test was utilized.

Aggregate Analysis

The analyses that were conducted on state data sets were also conducted on the aggregate data set. Additionally, several analyses were conducted for the aggregate data set that were not done on the state level. Several additional formatting steps needed to be performed to create a useable aggregate data set. The first step was to reduce the cases to a number that the computer used for the analysis could reasonably process. The Florida data set, with more than 38,000 cases, was the limiting factor for this, so the project team randomly sampled about 25 percent of the Florida cases for inclusion in the aggregate database. These approximately 10,000 cases, along with the full number from other states, created a database with 27,705 cases.

Weighting Factors

The second step was to create weighting factors that would adjust the aggregate data set to best represent the four-state JOBS composition. The weighting factor essentially adjusts the number of cases for each state so that the proportion of the total cases is equal to the state's proportion of the total four-state JOBS population. Table B-3 shows the initial number of cases and percentage of total for each state. This is followed by the weighting factors. The last two columns show the effective number of cases and proportions after the weights are applied. This aggregate proportion is equal to the percentage that each of the four states represents in the total JOBS population.

To compute the weighting factors, the project team first multiplied the total number of records by the target proportions (JOBS representation) to get effective record totals. These new totals were then divided by the initial

Table B-3:
Weights for Aggregate Analysis

State	Initial Record Total	Initial Proportion	Weight	Effective Record Total	Aggregate Proportion
Florida	9,830	36.1%	1.55	15,285	56.2%
Maryland	8,772	32.2%	0.69	6,090	22.4%
Missouri	8,057	29.6%	0.52	4,196	15.4%
Oregon	546	2.0%	2.99	1,634	6.0%
TOTAL	27,205	100.0%	N/A	27,205	100.0%

record totals. These final weights were used as statistical multipliers throughout the aggregate analysis. The overall effect is to reflect in the aggregate data set the representation that each state has in the JOBS population.

Additional Aggregate Analyses

In addition to the examination of business size, industry, earnings and welfare recipient characteristics that was described for the state-level analysis, several other analyses of the aggregate data were conducted.

First, the percentage of businesses employing welfare recipients from our database was calculated for each business size class. This was done by simply dividing the number of businesses employing welfare recipients by the total number of businesses in the state summary data for each of the four size classes, in each state. The overall weighted aggregate percentages were then calculated from the state figures.

Second, a cross-comparison of states by business size and industry type was conducted. To do this, the difference between each state's value for a given measurement and its comparable state summary value was calculated. For example, while 52.9 percent of businesses that hired welfare recipients in Oregon had fewer than 20 employees, 88.0 percent of all Oregon businesses were of this size — a difference of 35.1 percent. To compare the different states, these differences were plotted on a graph. Graphing the differences in this way allowed general trends in common to the four states to be examined, as well as any variation in trends with respect to business size and industry.

Third, the project team compared the interaction between business size and industry among businesses that hired welfare recipients at the aggregate level. This was done to determine if there was any bias toward large or small businesses in specific industries. To make this comparison, a cross-tabulation of businesses and welfare hires by single digit SIC and dichotomous size classification (fewer than 100 vs. 100 or more employees) was conducted. This yielded small- and large-size distributions for each of 10 industries. These figures were then compared to a compatible cross-tabulation of national CBP data from 1994. Differences between the JOBS data and CBP data were tested for significance using the Chi-square test.

Fourth, the overall average earnings for welfare recipients were calculated. The combined earnings for welfare recipients were calculated by first summing the earnings for each recipient across all jobs in a given quarter to get the total earnings for each recipient for each quarter. The maximum of the two quarterly earnings figures was then selected and an average for all recipients

was calculated for each state, and the aggregate weighted average earnings were computed. This figure was compared to the minimum-wage earnings standard as was done with all other earnings calculations. The number of welfare recipients clearing the minimum standard was summed and an aggregate percentage was calculated.

Fifth, job retention statistics were calculated. To do this, the number of welfare recipients receiving earnings in the first quarter was calculated, and this was used as the base population from which to determine job retention. The number of recipients receiving earnings in both quarters was counted and a percentage was calculated from the base population. It was also possible to determine the number of recipients who retained employment with at least one of the employers from the first quarter. This number was used to calculate the percentage of recipients retaining employment with the same employer. From these percentages, it was then possible to determine the percent losing employment ((base population – number employed in both quarters) / base employment), and the percent moving between employers ((base population – number with same employer in two quarters – number losing employment) / base population).

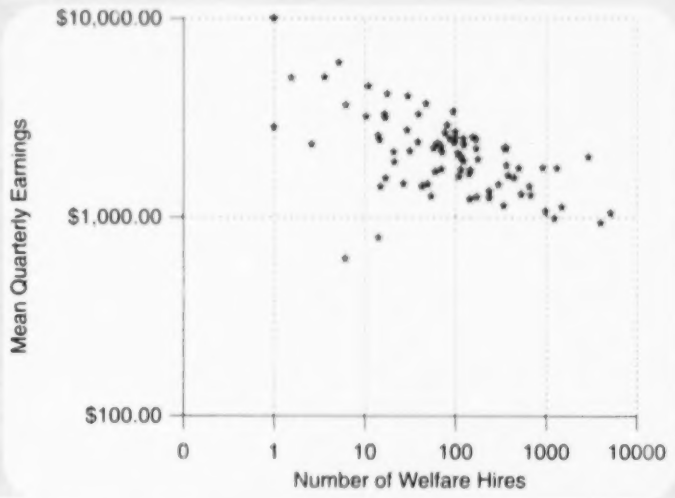
Finally, the relationship between the number of welfare hires and mean earnings across industry sub-sectors was examined. To do this, the project team first charted the welfare hires and earnings for each of 77 sub-sectors on a scatterplot. This revealed a negatively sloped exponential relationship between the two variables. Figure B-3 below illustrates this relationship by plotting the individual industry sub-sectors by the number of welfare recipients hired and the mean quarterly earnings. This shows a decline in mean quarterly earnings as the mean number of welfare hires increases.

To better evaluate this relationship, both variables were transformed using the natural log scale. This presented a generally linear form that allowed the characteristics of the relationship to be determined using linear regression analysis. The function estimated by this analysis is shown below as Equation 2.

Equation 2: $\ln E = 8.29 - 0.15 \ln H$

Here E is the mean quarterly earnings for an industry sub-sector, and H is the number of welfare hires in the sub-sector. The standard error for this equation is 0.39, and the r^2 of the correlation is 0.35. Thus, all other things being equal, an industry sub-sector that hires a large number of welfare

Figure B-3:



Scatterplot of industry sub-sectors showing the mean number of welfare recipients hired by the mean quarterly earnings for each sub-sector. Both axes are plotted on log scales to better illustrate the relationship. ($r^2 = 0.35$)

recipients is likely to pay lower earnings than a sub-sector that hires few welfare recipients. This equation was used to predict earning expectations given a range of welfare hires for the illustration in the report.

Caveats and Biases

Several data and analytical issues arose over the course of this study that may affect the results. These include issues related to the limited scope of the study, the kind of data used and the quality of the source information.

Limited Geographic Scope

A study of four states by no means captures the full variation in programmatic and economic characteristics across the country. This study was meant to illustrate the type of analysis that can be done with a database of welfare recipients matched with employers and show some general trends. Because of the diversity of the states and the commonalties of the certain results, the project team believes that if replicated on a broader scale, many of the findings would be confirmed. However, the late failure of Michigan to deliver useable data left the project without a major industrial state. Whether patterns of employment would differ substantially in such a state is unknown.

Limited Time Periods

The limited time periods for which data were collected understates the overall employment of welfare recipients. A "snapshot" of recipients during a six-month period was taken. Some welfare recipients may have left the rolls prior to the period of this study and, thus, would not have been included in the matched records. While this would understate the number of employed recipients, there is no reason to believe that it would affect the patterns of employment by size and type of business or of the characteristics of those who were employed. Because the time periods were the same for all states, this limitation does not affect the cross-state comparisons or aggregation of the data.

Small Sample Size in Oregon

The useable Oregon data set contained only 546 records. This small sample size reduced the ability to segment the data and draw out significant differences. Oregon's data set may be biased by the fact that only welfare recipients who specifically released their records could be used in the study. As noted above, welfare recipients who did not release the information may be different from those who did.

Differences in Data Sources

In most cases, ES-202 records were used for comparison data because they come from the same source as business data for welfare recipients. However, for the cross-comparisons between business size and industry, 1994 CBP data were used for comparison. The ES-202 records and CBP data define businesses differently. The CBP records count all business "establishments" or physical locations, while ES-202 records often counts "firms," some of which may have many physical locations. Thus, the number of business establishments would be under-counted in ES-202 records. This could account for some size difference found in the cross-tabulation analysis. By comparing the number of establishments and number of firms for each of the four states in the study, it was determined that the overall difference was 16.2 percent fewer firms than establishments.

Excluded Data

Neither ES-202 nor CBP include self-employment data; therefore, recipients who earned income

through self-employment were not considered employed. Based on prior research on self-employment of welfare recipients, this number is believed to be quite small. Further, because the topic of the study is the role of employers in hiring welfare recipients, this group is not directly relevant to the project.

Accuracy of Source Records

There may be data accuracy issues involved in the three data sources. While it is believed that the sources used represented the best available data for research purposes, they are by no means perfect. Recipient data may include errors obtained from the welfare recipient or introduced in the data recording or entry processes. Employer data is self-reported and subject to under-reporting of the number of employees and their earnings. Every effort was made to ensure that the data obtained was as accurate as that collected by the original sources. However, data on education was not reported consistently and, as a result, was used to only a limited degree.

Intermediary Employers

After an initial examination of business size and industry, it was recognized that a large portion of welfare recipients in all four states was being hired by firms in the personnel services sub-category of business services. Because these large agencies do not represent the final business placement for welfare recipients, employment with temporary employment agencies may skew results away from smaller firms. In an effort to examine the extent of this under-representation, the project team re-examined business size with business service firms removed. Business size was assessed for the aggregate database and for each state to determine if there were any trends. While the result was measurable, it did not affect the overall direction of the trends or the conclusions that would be drawn from them.

Overall, the project team believes that the findings of the study are valid despite the questions raised by these issues. The reader is counseled, however, that, as is often the case in this type of research, the results are not as definitive or precise as one would like. This study tested methods for analyzing recipient and employer data in multiple states. It was a small-scale, short-duration test that merits refinement and replication. Further research can improve on these results both by addressing the data issues and refining the analytic methods. Comments from researchers with such interests are welcomed.

For many states, conducting ongoing analysis of this type could be extremely valuable in determining the success of their welfare-to-work efforts and improving their strategies. The data sources and systems in place today in most states are capable of the type of analysis that was conducted. The barriers are mostly related to understanding the potential value of such work and developing the cross-agency cooperation needed to conduct it.

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